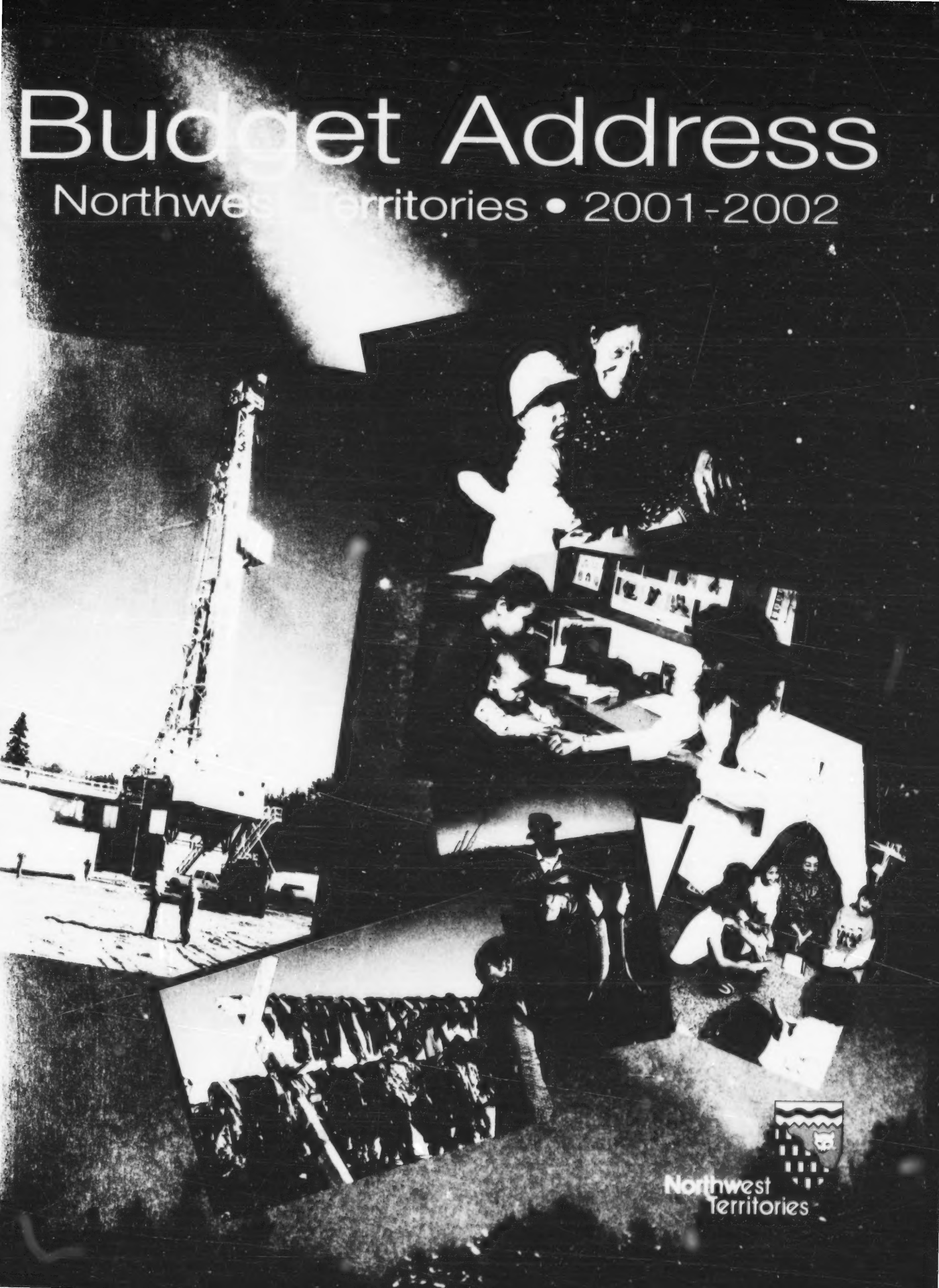
Budget Address

Northwest Territories • 2001-2002



Northwest Territories

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NORTHWEST TERRITORIES
2001-2002 BUDGET HIGHLIGHTS

Fiscal Overview – A More Positive Outlook

- The Government of the Northwest Territories' fiscal outlook is much brighter than forecast in last year's Budget. The Government's successful efforts to constrain spending combined with increased revenues have turned the expected $13 million operating deficit forecast for fiscal year 2000-2001 into a $23 million operating surplus.
- The improved 2000-2001 outlook raises the overall accumulated surplus to $864 million by the fiscal year end and lowers the Government's own debt to just over $12 million.
- For the coming fiscal year, the Government is projecting a $2 million operating surplus even with projected increased spending of $34 million.
- The value of capital assets will increase by $61 million in 2001-2002 as work begins on the Inuvik Hospital and the North Slave Correctional Centre.
- The Government's own debt is expected to increase to $74 million by the end of the 2001-2002 fiscal year. Total consolidated government debt, including government corporations, is forecast to be $251 million.

Fiscal Strategy – Taking Control of Our Future

- NWT residents live in a territory endowed with great natural wealth and yet depend on the federal government for the vast majority of government revenues. Northerners need more control of resource revenues to make the necessary investments to realize their full economic potential.
- The Government of the Northwest Territories is discussing the devolution of lands and resources, including the transfer of an equitable share of non-renewable resource revenues, with the federal and Aboriginal governments. All three parties have agreed on the need to start the process.
- Until the devolution process is complete, the Government will make investments to ensure Northerners receive the maximum benefit from the development of our resources. If necessary, the Government will borrow, at fiscally responsible levels, to finance these investments.

Relief from High Fuel Costs

- The Government will provide a one-time fuel rebate of $320 to eligible households who directly purchase home heating fuel and $150 per household to renters in eligible apartments. Eligibility will depend on household income levels. The rebate program will come into effect in time for households to receive assistance by the end of March 2001.
- Trappers who harvested at least $500 worth of fur in either of the last two trapping seasons will be eligible for a one-time payment of $150 to help with their rising fuel costs.
- Community governments will receive an extra $230,000 in 2000-2001 and $434,000 in 2001-2002 to help offset the higher operating costs caused by rising fuel costs.

Investments in a Better Tomorrow

The 2001-2002 Budget outlines an ambitious program for investing in the future of the Northwest Territories, including:

- $5 million per year to implement the Government's commitments to maximize northern employment
- over $2 million in funding for the Literacy Strategy
- $2 million per year for the next three years to fund the Early Childhood Development Action Plan
- an additional $4.5 million to address issues surrounding current enrolments and higher fuel costs and to further reduce the pupil-teacher ratio, and to increase funds for special needs instruction
- $17 million in additional funding to address growing health care needs
- almost $3 million to open two new Young Offenders Facilities (one for males in Yellowknife and one for females in Inuvik)
- over $500,000 in funding for the operation of 37 new seniors housing units
- an additional $500,000 is directed to increasing the income support food scales to reflect increases in the cost of living. In addition, the allowance for disabled Northerners receiving income support will be raised from $175 to $225 per month.
- in addition to extra funding to offset higher fuel costs, funding for communities will be increased almost $1 million in 2001-2002 to help communities adjust to the new funding approach

Creating a Healthy and Diversified Economy

In its report *Common Ground*, the Economic Strategy Panel mapped out a balanced approach to moving the Northwest Territories economy toward self-sufficiency. The Government has responded to many of the issues raised in the report through the following initiatives:

- The Government is investing an additional $100 million over the next four years in the existing NWT highway system. Partial funding of this initiative will come from a highway user toll on commercial trucking, which will go into a dedicated highway trust fund.
- The Government will continue to fund the winter road bridges acceleration program and add over $11 million in airport capital improvements.
- The Business Incentive Policy is being reviewed in light of the changing dynamics of the NWT economy. Public consultations with northern business, industry and Aboriginal governments will be completed by mid-March and changes to the Policy will be presented by May of this year.
- If the Hotel Room Tax is approved, the Government will invest $900,000 in anticipated tax revenues in the Strategy.
- Starting 2003, the Northwest Territories will change its personal income tax base from basic federal tax to tax on taxable income. The change will give the Government more flexibility to make its tax system meet the needs of northern residents. Northern residents will still only have to file one tax return. A Minister's Advisory Committee will be established to consider the options available under the new system and make recommendations.
- The Government is investing in the legal, financial and engineering work needed to determine if the Northwest Territories' vast hydro resources can be developed in a manner that provides substantial returns to the Territories.

Budget Address

Northwest Territories • 2001-2002

The Honourable Joseph L. Handley
Minister of Finance

Third Session of the Fourteenth
Legislative Assembly
of the Northwest Territories

February 15, 2001

Government of the
Northwest Territories

Northwest Territories

Mr. Speaker, I am going to talk today about the bright future that lies before us as residents of the Northwest Territories. I am going to describe our tremendous economic potential. I am going to speak about what we as Northerners must do to realize this potential – not just for ourselves, but more importantly, for our children and grandchildren.

This Legislature includes in its vision of a better tomorrow "self-reliant, healthy, well educated individuals, families and communities doing their part in improving the quality of their lives." To achieve this, Northerners need meaningful, long-term employment and business opportunities. Governments need revenues to finance the education, health care, and other key programs vital to our quality of life. To achieve this, we need a vibrant Northern economy.

This Government's first Budget, as I noted last June, was the first step in achieving this Legislature's vision of a prosperous future for the Northwest Territories. As we promised, we used our first year in office to finalize our strategies and to determine how they could be financed. We also listened to the suggestions and concerns of the Members of this Assembly.

As we enter the second year of our mandate, we know what needs to be done:

- We need to match every Northerner who wants to work with a job that uses his or her skills. There will be plenty of jobs over the next decade. We need to ensure that Northerners can fill these jobs.

- We need to start our children off in life on the right foot. We need to see they get every opportunity to lead fulfilling and productive lives.

- We need to work together with Aboriginal governments, the federal government and with industry to ensure our future prosperity.

- We need to take control of and develop our resources. We need to invest in our economy and infrastructure. We need to create business and employment opportunities for Northerners, while being mindful of the need to protect our environment.

- We need to invest today in a better tomorrow.

Our Premier, the Honourable Stephen Kakfwi, laid out the vision in his address in January. This Budget sets out how it will be implemented.

We will use all the resources at our disposal to achieve our vision. I am very pleased to be able to announce that our fiscal situation is brighter than we expected at this time last year. However, we do not have the fiscal resources to do everything that needs to be done. Some initiatives cannot proceed without support from the federal government. And until non-renewable resource revenues are transferred from the federal government to Northern governments, there will continue to be a gap between what needs to be done, and our ability to do it.

ECONOMIC REVIEW AND OUTLOOK

Mr. Speaker, we are a territory rich in natural resources. Whether it is oil and natural gas, diamonds and other minerals, hydro potential, or the sheer natural beauty of our Northern wilderness, I believe every region of the Northwest Territories has the potential to develop a strong economic base.

The Northwest Territories' Mackenzie Delta/Beaufort Sea region holds immense reserves of natural gas – approximately 56 trillion cubic feet. At current prices the region's estimated reserves could generate over $400 billion in revenue. Over the last two years, petroleum companies have bid approximately $650 million for Crown exploration licences in the region and an additional $76 million in the form of bid bonuses for Inuvialuit subsurface lands. Petro-Canada plans to drill an exploratory well in the region this month, following up the seismic program they conducted last winter. This will be the first well targeting natural gas to be drilled in the region. Other natural gas related activity in the region is in the form of seismic work – six different companies are already engaged in this work this winter. It is expected that petroleum companies will spend over $80 million in the Beaufort Delta this winter, and employ approximately 400 people.

The current energy situation in Canada and the United States overwhelmingly demonstrates the need for a Mackenzie Valley pipeline. The demand for natural gas is increasing in North America as the current supply is decreasing. The Mackenzie Valley pipeline is clearly in the interests of southern consumers, residents of the Northwest Territories, and the country as a whole.

The pipeline would cross several regions of the Northwest Territories, from the Mackenzie Delta, through the Sahtu and Deh Cho, into the Northern Alberta pipeline system. Construction of this pipeline will create an estimated 6,000 person-years of employment in the Northwest Territories during the three year construction phase. A standalone Mackenzie Valley pipeline could generate an additional $600 million in economic activity for the territory, creating enormous opportunities for Northern businesses.

This year we provided $500,000 to the Aboriginal Pipeline Group to prepare a business plan for Aboriginal equity participation in a pipeline. We will continue to support the Aboriginal Pipeline Group in its work on building business partnerships with industry to maximize the benefits of a Mackenzie Valley pipeline.

In addition to the potential for Mackenzie Valley pipeline development, the Sahtu region continues to experience substantial oil and gas activity. Oil production and drilling in the Norman Wells area continues. In addition, just last year, almost $60 million was bid for exploration licenses in the Central Mackenzie Valley. These funds should be spent in the area over the next four to five years.

In the Deh Cho, natural gas production continues in the Fort Liard area from five different wells. Later this year, a sixth producing natural gas well will be added. The search for resources in the area is still under way. In January of this year work was being conducted on five different well sites. Estimates indicate that there is another 4 trillion cubic feet of gas to be found in the Deh Cho region. Production statistics show the region produced an average of 105 million cubic feet a day of natural gas last November. Using current prices, production is valued at approximately $770,000 per day.

Over the last year, industry has raised concerns about the regulatory environment in the Northwest Territories. The Government of the Northwest Territories has been encouraging regulatory bodies with jurisdiction in the Northwest Territories to address these concerns.

These agencies have met to lay the groundwork for a co-ordinated regulatory approach in the Mackenzie Valley. This could include joint assessment or co-ordination of the regulatory processes under the *Inuvialuit Final Agreement*, the *Mackenzie Valley Resource Management Act* and the National Energy Board. We will continue to encourage these boards and agencies to put in place a fair, predictable and efficient regulatory process.

Many Northerners may be wondering what lies in store for our economy given the uncertain economic conditions currently prevailing in Canada and the United States. In the short term, we do not expect to see any slowdown in the energy sectors, given the present demand, and high prices, for all forms of energy throughout North America. The long-term outlook for the North's resources remains strong. Nevertheless, we must remain vigilant in monitoring economic conditions and their implications both for the Northwest Territories economy as a whole, and for the Government's fiscal situation.

The Northwest Territories is in a position that is unique in Canada, and perhaps the world. We are beginning to experience significant new economic development opportunities while continuing to enjoy clean water, air and land, and abundant wildlife and fish. The right balance is urgently required as we continue to develop our economy. As we all know, the natural environment is a critical component of Northerners' cultural, social and economic identity. While the Government of the Northwest Territories is committed to renewable and non-renewable resource development, all development must be sustainable and satisfy certain key conditions. It must contribute to the long-term development of the Northern economy, its benefits must accrue to the Northwest Territories, it must meet environmental standards, it must include local decision making,

and it must be accompanied by appropriate environmental mitigation and monitoring measures.

As we have known for years, the North Slave region is clearly destined to become a producer of high quality diamonds rivalling the world's finest. The BHP mine has produced diamonds for over two years, with the value of 1999 production reaching almost $600 million. Diavik expects to spend approximately $500 million in 2001 to construct its Lac de Gras mine and anticipates production in 2003. Earlier this month, DeBeers Canada confirmed its intention to develop Canada's first underground diamond mine at Snap Lake and has begun the environmental review process. Full production is anticipated in 2004. In five years, diamond mining in the Northwest Territories will employ approximately 1400 people and will be producing $2.2 billion worth of diamonds annually.

Furthermore, we don't just mine diamonds in the Northwest Territories. We cut and polish them as well. Three cutting and polishing plants already exist. Following negotiations with Diavik, Aber and DeBeers, we anticipate an even greater diamond polishing capacity. We are confident that future discussion with our industry partners will result in continued growth in this sector. It is very likely that at least two more plants will be established in future years, which could raise employment in this field to 300 or more.

The Northwest Territories' potential to generate hydro-electricity is immense. The Taltson River, in the South Slave region, could produce an additional 200 megawatts and the Upper Snare could provide 20 megawatts of environmentally friendly power. We estimate that, using run of the river technology, the Bear River, in the Sahtu, has a potential to produce 800 megawatts, and the Mackenzie River, 2500 megawatts, all without flooding. As North America continues to identify the need for new energy sources, this places the Northwest Territories in a very promising position.

All regions have the potential to benefit from the growth of the tourism sector in the Northwest Territories. About $11 million is generated by the northern lights tourism business in Yellowknife alone. Globally, tourism is one of the fastest growing industries, and one in which the Northwest Territories has not come close to achieving its potential.

I do not want to understate the importance of the traditional economy to the residents of the Northwest Territories. This sector plays an important role in augmenting employment and income in our small communities. In a report about to be published by the Department of Resources, Wildlife and Economic Development, the economic value of our traditional economy – trapping, hunting and subsistence fishing – is estimated to be from one-third to one-half of the economic value of all renewable resource activities. The traditional economy is also responsible for substantial social and cultural benefits, and these make important contributions to community well being.

Mr. Speaker, the economic opportunities in the territory are impressive, and they occur in all regions of the Northwest Territories. I can say with all conviction that our economic future has never looked brighter, but we need to acquire our fair share of resource revenues for reinvestment in people, infrastructure and economic diversification.

FISCAL REVIEW AND OUTLOOK

Our short-term fiscal position is significantly improved over last year's forecast. We ended the 1999-2000 fiscal year with a $17 million operating deficit, very close to the $18 million deficit budgeted for that year. Our overall debt position was well within our borrowing limits and financing capacity. Later this Session, I will be tabling the detailed 1999-2000 Public Accounts.

Our 2000-2001 outlook is much brighter than was forecast in the Budget last June. We started the year with the expectation of a $13 million operating deficit. Mr. Speaker, the current forecast for 2000-2001 calls for a $23 million operating surplus.

This turnaround is directly attributable to our successful efforts to constrain spending, coupled with a much more positive revenue picture.

- Increased economic activity, particularly from diamond mine construction and oil and gas exploration, has increased our forecast tax revenues.
- Stronger population growth and higher provincial government spending have resulted in a general improvement in the performance of our financing formula with Canada.
- Finally, we have benefited from a large, fortuitous one-time increase in corporate tax collections. After the offset to the Formula Financing Grant, this higher tax revenue alone will result in a one-time net increase in our 2000-2001 revenues of $18 million.

The improved outlook for 2000-2001 means we will see our overall accumulated surplus, on a tangible capital asset basis, rise to $864 million by the end of the year. Our capital investment represents $859 million of this. The Government's own debt will drop to just over $12 million, while the consolidated Government will have $190 million of debt outstanding, the majority of which is financed from the revenues of the NWT Power Corporation.

2001-2002 Fiscal Outlook

The positive revenue developments of this year will partially carry over to 2001-2002 and allow us to make some modest but critical new investments. Even with a projected $34 million increase in spending for 2001-2002, we anticipate we will still be able to achieve a small operating surplus of around $2 million. On the revenue side, the picture is brighter for several reasons. A higher grant from Canada and higher own source revenues reflect our stronger economic outlook and higher population growth.

On the expenditure side, the coming fiscal year will see a significant increase in our capital investments as we begin work to replace the Inuvik Hospital and build the North Slave Correctional Centre. This will translate into a $61 million increase in capital assets.

The debt level of the Government itself will return to about $74 million by the end of the fiscal year, the point at which our short-term borrowings are at their highest. With the

addition of the debt of Government corporations, our consolidated debt will rise to $251 million.

FISCAL STRATEGY

Mr. Speaker, the best way to control our future is to create it. We as Northerners have a vision of a territory providing economic growth and opportunity; stable, meaningful jobs; a sound environment and high quality public services supporting healthy lifestyles. The means to achieve this vision are within our reach.

We have been fortunate this year because our revenue windfall pushes the debt wall back. This year's surplus gives us the opportunity to make some critical investments: in advancing Northern employment, in addressing social issues, in badly needed infrastructure, and in business and economic development.

However, the Government of the Northwest Territories does not want to rely on luck to make the investments to see our northern economy grow and our people prosper. Nor do we want to continually depend on the federal government for the majority of our revenues. Especially not when we live in a territory endowed with such great natural wealth.

With three producing diamond mines, a Mackenzie Valley pipeline, and other oil and gas developments, this territory will generate at least $200 million in royalties annually by the end of the decade, in addition to the taxes generated from development. There is no reason why the transfer of federal resource revenues to northern governments should be delayed. In fact, there are many reasons why it should happen quickly. Already, major resource developments are producing, or soon will produce, substantial revenue for the federal government.

Northern governments need this revenue to ensure our residents have the skills to take advantage of the opportunities created by development. Northern governments need this revenue to build the infrastructure required to cope with the impact of development and to encourage further resource development. Northern governments need this revenue to protect the environment while we develop the resources. In short, we need these resources to control our future.

We understand that the future of the North includes a change in the structure of government for territorial residents. We need to make progress on finalizing Aboriginal self-government agreements. We want the process to be an example to governments everywhere on how to design structures that effectively allow Aboriginal people to control their own destinies. All Northern governments, however, will need adequate financial resources to deliver programs and services and to make the investments we know are needed. We require devolution of lands and resources including the transfer of a fair share of non-renewable resource revenues.

We are beyond the stage of discussing whether devolution should happen and are on the way to discussing how and when it should happen. A year ago in this Assembly, the

Honourable Robert Nault, Minister of Indian Affairs and Northern Development, committed to fast tracking devolution. Last December, Aboriginal Summit leaders met with the Premier, the Minister of Aboriginal Affairs, the Honourable Jim Antoine, and myself. The majority of leaders agreed to begin a formal process to determine how the transfer of authority over lands and resources will devolve to the appropriate territorial and Aboriginal governments. We have commitment from all three parties. Devolution will happen.

We have the Intergovernmental Forum's support to develop proposals for devolution and resource revenue sharing. At this time, I am pleased to reaffirm this Government's support for the Intergovernmental Forum process. This Budget includes $330,000 to facilitate the participation of the Aboriginal Summit in the process.

Given our economic outlook and with control of resource revenues, our long-term fiscal outlook is bright. In the meantime, we will continue to press the federal government to make strategic investments. However, we must also bridge the gap between our present needs and our future potential.

There are many millions of dollars of investment required to ensure that Northerners receive the maximum benefit from the development of our resources. For example, our *Non-Renewable Resource Development Strategy* identified the need for investments in training, in infrastructure, in business development, in social mitigation and in protecting the environment. These investments must be made now. It makes good financial sense to make them now, since the payback, in terms of economic growth and social benefits, will be substantial. Therefore, we will, as necessary, borrow at reasonable and fiscally sustainable levels, to finance these investments.

Currently, the Government of the Northwest Territories has an authorized borrowing limit of $300 million. We are reviewing our borrowing capacity with the federal government as an interim measure until the devolution of resource management is complete. We believe that our economic and fiscal outlook justifies a review of this limit.

Our vision depends on working together with Aboriginal, business, and community leadership. Together we can create our future.

INVESTMENTS IN A BETTER TOMORROW

Mr. Speaker, in his address last month, the Premier outlined how we are going to achieve the vision described by this Legislature in *Towards a Better Tomorrow*. I am very pleased to be able to provide specifics about the investments we intend to make in the coming fiscal year.

We are prepared to make investments. We are prepared to be bold. We expect results and will be monitoring those results. But I want to reiterate the challenge Premier Kakfwi made last month. In making these investments, we need and expect Northerners to work with us. We expect individuals to become trained, to become educated and to seek out the jobs that will become available. We expect businesses to become competitive, and

to look to the growing economy for opportunity. We must all work together.

Maximizing Northern Employment

Last fall, our Government established "Maximizing Northern Employment" as one of its priorities. Simply put, it is our belief that all Northerners should be able to compete for and obtain all jobs offered by the public and private sector throughout the Northwest Territories. We believe, based on the concerns we have heard in this House, that Members share this goal.

Maximizing Northern Employment is a long-term commitment. We must plan our actions carefully in close co-operation with Members of this Assembly and with employers and workers across the Northwest Territories. While our plans in this area will be shared with this House over the next few months, to indicate our commitment, this Government is committed to invest up to $5 million per year in support of this priority. We will be returning to this House with the detailed plans and proposed allocations as part of supplementary estimates later in the year.

In terms of action, our first priorities are as follows:

First, students at the high school level will have more opportunities to prepare for northern careers in the trades, technologies and professions. We continue to stress the importance of completing high school. However, we also recognize the importance of providing "hands on" experience to those students who want to begin building their careers as early as possible. We intend to expand the School North Apprenticeship Program and develop opportunities that combine work and schooling. We expect to implement this initiative in the next school year.

Second, we want to be sure that Northerners are matched with available jobs. In co-operation with industry, and building upon our recent experience supporting employment in Fort Liard and the Beaufort Delta, we plan to increase the availability of information on employment in all communities. To do this, we will post information on available jobs, and in close cooperation with community and regional organizations, actively match and refer work candidates to available positions. Our plans in this area will be fully developed by March 31 of this year.

Third, we must place a renewed emphasis on bringing post-secondary graduates into our northern public service. Our Premier announced this Government's commitments in January. In support of these commitments we will:

- Provide joo opportunities for all northern graduates of recognized teacher education, nursing and social work programs. Discussions with education councils and health and social service boards are already underway and the policies to guide this action will be in place by the end of this fiscal year.

- Hire post-secondary graduates, particularly those in priority occupations, such as engineering and other applied sciences, accounting, computer sciences and

management into the public service following their graduation. We are developing a program that will establish "intern positions" of one year in length, which will provide recent graduates with valuable job experience in a Government of the Northwest Territories department. During his or her year of service, an intern will be expected to carry out assigned tasks, but will also receive selected skill development in areas such as financial management, managerial skills and basic labour relations. Detailed plans for this new program are being developed at this time and will be finalized by the end of March.

- Further, we want to ensure that summer work placements and cooperative work opportunities for students are meaningful and support the development of future public servants. To assist students in obtaining positions with the Government of the Northwest Territories this year all departments are now preparing listings of the positions that will be available for the summer months. This listing will be made available to students so that they can identify potential jobs that match their skills and interests. We are launching a website where students can post their resumes for the consideration of any employer.

Mr. Speaker, we recognize that we have a dedicated and hard working public service – a public service that has had to deal with extensive challenges over the past several years from downsizing to division. Our staff have met those challenges while continuing to provide a high level of service to the public.

We need to support our public servants in meeting the challenges that lie ahead. Part of this support must be fair compensation. I was very pleased with the strong support for the recent collective agreement with most of our unionized workers. This Budget includes over $13 million related to the implementation of that agreement and extension of similar increases to non-unionized groups.

In addition to fair compensation, our staff need to know that they are respected. To this end, together with the Union of Northern Workers and the Northwest Territories Teachers' Association, we jointly developed and implemented a new Conflict Resolution Policy. We must also ensure that the public respects and has confidence in the public service. To address this need we have, after extensive consultation with employees and the union, developed a Code of Conduct. This Code will help ensure the public is aware of the high standards of conduct and integrity that public servants bring to their job.

Finally, it is important to recognize that the Government of the Northwest Territories is only one of many partners in the effort to increase Northern employment. Business and industry have a major role to play as do educational institutions and Aboriginal governments. We will be examining our policies to ensure that they support increasing employment. We will be actively promoting, and will be asking our partners to join us in promoting, the importance of northern employment.

Northwest Territories Literacy Strategy

Mr. Speaker, I cannot overstate the importance of literacy for the North. Over the past decade we have made excellent strides in increasing literacy rates. Now, more than ever before, youth and adults across this territory have the skills and abilities they need to fully participate in the social, economic and political development of the Northwest Territories.

However, even with this success, we still face a serious challenge. We still need to emphasize the importance of literacy and to ensure that all Northerners with literacy needs have access to programs and services that strengthen their skills. Last June, Members of this Assembly called for the development of a strategy to increase literacy levels in every community in the Northwest Territories. We agree. Later this Session, the Honourable Jake Ootes, Minister of Education, Culture and Employment, will be tabling the Literacy Strategy in this House and providing further details. This Budget provides the funding to implement the Strategy, including:

- $700,000 to deliver community-level literacy programs;
- $400,000 to establish workplace literacy programs;
- $300,000 for Aboriginal language literacy courses;
- $300,000 to extend library services to 15 smaller communities;
- $300,000 to deliver specialized programs or services to persons with disabilities, to seniors, and to those in correctional institutions; to monitor and report; and to promote the use of plain language within government.

This initiative to improve the literacy levels of Northerners is fundamental to achieving many of this Government's key priorities and is essential to our future success.

Social Agenda

Jobs are important, but they are only part of what we need to achieve our vision. We must address the needs of our most vulnerable citizens – children, elders, those with disabilities and those who are disadvantaged. We recognize that a vibrant economy and job opportunities are of little value unless we address the problems faced by many people – drug and alcohol abuse, family violence, FAE/FAS, and various other addictions. I want to emphasize some of our Government's main priorities.

Early Childhood Development Action Plan

Our children are our future. If we are to realize the true potential of the many economic and other opportunities before us, we must have a healthy, well-educated population, ready to take advantage of all that the future has to offer. Recognizing that our capacity to learn and grow is significantly influenced by our experiences in early childhood, we are committed to improving programs and services to our youngest residents. We want all children in the Northwest Territories to be born healthy and to have every opportunity to reach their full potential. This Assembly has identified Early Childhood Development

as a priority. We have responded to this challenge and are prepared to implement an Early Childhood Development Action Plan. We are committing $2 million per year for the next three years to this Action Plan.

Our investment in Early Childhood Development will have four major streams:

- Healthy pregnancies and healthy babies – with a significant focus on FAS/FAE prevention and early intervention and remediation;
- Healthy parenting – with special supports for young parents and "at risk" families;
- Early childhood care and learning opportunities – ensuring that children arrive at school "ready to learn";
- Stronger community supports – through integrated planning and program delivery for more effective early childhood development at the community level.

Most communities already have access to some type of support for early childhood activities. The federal government, Aboriginal governments, parents, private entrepreneurs and the Government of the Northwest Territories all play significant roles in providing services. However, the current funding and delivery mechanisms are fragmented and not co-ordinated as well as they could be. We plan to strengthen co-ordination between funding bodies and build on successful community programs wherever possible. Our goal is to ensure that every child has access to an effective, integrated early childhood development program in his or her community, and that all children arrive at their first day of school, healthy and ready to learn.

Our attention to early childhood development is clearly focused on the long term. It will take a number of years to move from our current, fragmented patchwork of programs to a strong, truly integrated and effective early childhood development approach in all communities. However, we know that successful early childhood development will lead to healthy, educated and productive adult citizens. This, in turn, will lead to healthier children in the future. If we truly believe that our people are our strongest resource, we must make these investments in our youngest residents.

Investments in Education

Last year this Government committed to increasing funding to ensure schools can reduce the pupil-teacher ratio as well as enhance special needs instruction. This Budget includes $4.5 million in additional funding for Education Councils to address current enrolments and high fuel costs, and to allow us to meet the requirements of the *Education Act* with respect to reducing the pupil-teacher ratio and increasing funding for special needs instruction.

Investments in Health Care

Mr. Speaker, it is common knowledge that governments in Canada today are facing increasing challenges in providing health care. Rising costs of technology and pharmaceuticals, shortages of health care providers, and an ageing population with increasing needs for health care all contribute to the strain on the health care system.

Almost one quarter of our operating budget, or $183 million, has been allocated to the Department of Health and Social Services. Of this, three quarters, or $136 million, goes directly to the health and social services boards for the delivery of services. The 2001-2002 Budget includes increased expenditures on health care of $17 million to address these growing needs. Five million dollars has been allocated simply to keep pace with growing demands, including: the need to provide competitive compensation for physicians, the cost of medical travel, and the cost for providing care in southern institutions. We have also set aside a $6 million reserve in this Budget to fund further increases to forced growth expected to occur within the health and social services system in 2001-2002.

This Budget also invests over $6 million in a number of critical areas:

- We will invest $2.8 million to improve the primary care model by stabilizing the physician workforce in Yellowknife;
- We have allocated $1.5 million to negotiate the extension of the nurses market supplement for one more year while it is being evaluated – as the Standing Committee on Social Programs has observed, we need to be competitive to attract and keep qualified staff;
- We have allocated $1.2 million to improve child protection and family support services through the addition of extra staff and training – another critical area flagged by the Standing Committee;
- Finally, we are investing over $200,000 to provide expanded telehealth access and have committed $280,000 to fund the Stanley Isaiah Adult Disabled Group Home in Fort Simpson.

The Northwest Territories will also benefit from new federal funding commitments through the Canada Health and Social Transfer which were announced at the First Ministers meeting in September, including new targeted funding for primary care, early childhood development and medical equipment.

Mr. Speaker, we are facing ever-growing demands on our limited resources to provide basic health care services to the residents of the Northwest Territories. We find ourselves, however, in the unfortunate position of subsidizing the delivery of the federal government's responsibility to Status Indian and Inuit residents for non-insured health care benefits. The Government of the Northwest Territories currently delivers this program, under contract, on behalf of Health Canada. Since taking on this function, however, we have been unable to recover our full costs from the federal government. We estimate that, for 2001-2002, we would be reimbursed only $5 million of the $6 million we would spend. We have given notice to the federal government that, unless an acceptable administrative agreement can be reached to address our concerns, effective April 1, 2001, this Government will no longer deliver the Non-Insured Health Benefit (NIHB) program on their behalf. Some progress has been made in recent negotiations between Health Canada and the Department of Health and Social Services; however an agreement has not yet been reached.

A return of administration of the NIHB program will not represent a cut in benefits to Northwest Territories Status Indian and Inuit. The benefits will be maintained, but the program will be administered by a different party. We will work with Health Canada to ensure there is no interruption in services to clients.

We recognize that the demands on our health care system are pressing. We have received a number of recommendations for changes and improvements to the health and social services system over the past few years. We agree that change is needed. However, we still need to address gaps in our existing analysis, and map out an action plan.

The Minister of Health and Social Services, the Honourable Jane Groenewegen, has commissioned the development of such an action plan, to be completed by the end of June. We expect to receive practical recommendations to improve the efficiency and effectiveness of the health and social services system, and to address issues of sustainability and quality of care. With a birth rate twice the national average, and an ageing population, we have a responsibility to ensure that our health and social services system delivers the best services possible within the funding available.

Young Offenders Facilities

Mr. Speaker, our young people who have run into difficulty with the law need every opportunity to get their lives back on track. We want to ensure the facilities are there to provide the help they need. The Department of Justice is planning for the opening of two new Young Offenders Facilities a year from now – a facility for males in Yellowknife and a facility for females in Inuvik. However, staffing and training must begin well in advance of opening. This Budget includes $2.9 million for the coming fiscal year, to allow these projects to be fully operational in a year. Ongoing operating costs for these facilities will total $2.7 million annually.

Housing for Seniors

We must not forget the most vulnerable of our citizens, especially our elders. The 2000 Housing Needs Survey, tabled last March by the Honourable Roger Allen, Minister Responsible for the Housing Corporation, identified that one-third of our seniors are in need of more suitable housing. In response, the Northwest Territories Housing Corporation directed some of its capital resources to address the greater need for housing for our seniors. Also, through consultation with the communities, the Northwest Territories Housing Corporation developed a Seniors Housing Strategy. As part of that strategy, this Budget includes $560,000 to fund the operation of 37 new seniors housing units.

Income Support

As our economy continues to improve, and as Northerners gain access to jobs in their communities, the costs of our Income Support Program can be expected to decrease. However, as we have heard from the Standing Committee on Social Programs,

Northerners with the greatest needs must continue to be supported by this Government. To this end, the Income Support Program will be increasing the food scales by $500,000 to allow for increases in the cost of living. As well, the allowance for disabled Northerners receiving income support will be raised by $50, from $175 to $225 per month to cover additional costs that disabled Northerners face in their daily lives.

Relief for High Fuel Costs

We realize Northerners have been hard hit by rising fuel prices. The rapid increase in prices has placed an additional burden on residents, particularly homeowners, business operators and hunters and trappers. Members of the Assembly have effectively expressed their concerns. This Government already is providing help to many – through our social housing and income support programs and through our power subsidy programs for residents and businesses. These programs will continue. In fact, this Budget includes almost $1 million in additional funding to the Housing Corporation to pay the increased fuel costs for public housing and $1 million to maintain the Power Subsidy Program.

We recognize, however, that there are many at low to moderate income levels who need help to offset the high cost of fuel. In response to concerns raised by Members, I am announcing today that we will provide a one-time fuel rebate of $320 to eligible households who directly purchase home heating fuel and $150 per household to renters living in eligible apartments. Eligibility for the rebates will be determined by an income test.

These rebates will be paid in this fiscal year, so households can receive the assistance before the end of March. We estimate this program will cost $1.3 million in 2000-2001.

While employment opportunities are improving in many remote communities, the economy of most is closely tied to traditional harvesting. Individual trappers make modest livings, and have been adversely affected by rising fuel costs. In recognition of this, we will be providing a one-time payment of $150 to each trapper who harvested at least $500 worth of fur in either of the last two trapping seasons. This investment will cost an estimated $62,000.

We realize, of course, that there are other harvesters, such as fishermen, who may have been heavily impacted by rising fuel prices. We will be monitoring this impact and will be developing strategies to assist those most severely affected.

A number of Members have raised the issue of rising fuel costs and the impact on Government. We recognize that higher fuel prices have increased the operating expenses of the community governments in the Northwest Territories. These additional costs are significant enough that they cannot be absorbed by local governments and will be passed on to residents unless the Government of the Northwest Territories can offer assistance. We will provide additional funding to community governments of $230,000 in 2000-2001 and $434,000 in 2001-2002.

Mr. Speaker, this Government does not have the resources to shield all residents from the full effects of fuel price increases, nor do we have the ability to sustain the support we are providing on a long-term basis. It is up to all residents and businesses to reduce the amount of fuel we use by becoming more energy efficient. To this end, we will be exploring ways of promoting efficiencies in fuel consumption throughout the government and the private sector. In conjunction with the Arctic Energy Alliance, our goal is to increase the understanding of energy related issues and promote conservation.

Support to Communities

In addition to support to cope with increased fuel costs, this Government is increasing the annual funding allocated to communities by almost $1 million in 2001-2002. We recognize that, as part of this Government's initiative to rationalize the method by which community governments are funded, communities will need a period of time to adjust to the new approach. The new method of allocating funding is based on a fair and equitable formula, making the entire process easier to understand.

A Healthy and Diversified Economy

Mr. Speaker, if we want to ensure a prosperous future for the Northwest Territories, if we want to create a climate of growth and development, if we want to leave our children a legacy of fulfilling and meaningful work, we need to make investments in our economy now.

It is not a question of deciding what our path should be. We have spent the past year mapping our route. We know the path we need to take.

- In June last year we received the report of the Economic Strategy Panel – *Common Ground* – which gave us a long-term, comprehensive economic strategy. *Common Ground* was the work of seventeen Northerners from all regions of the Northwest Territories who represented Aboriginal organizations, business, industry, and environmental and social organizations. The recommendations in the report reflect a wide variety of interests and provide a balanced approach to moving the Northwest Territories economy toward self-sufficiency.

- Building on *Common Ground*, the Government of the Northwest Territories' Non-Renewable Resource Development Strategy provides a short-term road map identifying the investments needed to maximize the benefits of northern development for both Northerners and Canada, and identifies the federal commitment needed to achieve these benefits. The greater the federal investment in the Strategy, the more we can do and the sooner we can do it.

- In November, we received the report on Electrical Power Generation, Distribution and Regulation that outlines the exciting opportunities for hydro power generation in the Northwest Territories.

We know what needs to be done. We intend to do what is achievable with the resources available to us. In December, I released *Securing Our Future*, the Government's comprehensive response to *Common Ground*. This Budget responds to many of the issues raised in the Economic Strategy Panel's report. Many of the action items contained in the Government's response require a collaborative approach with the federal and Aboriginal governments. We will continue to look to the federal government to fund its share of the investments needed in the North today.

Let me now turn to what we plan to do this year in this area.

Transportation Investments

Mr. Speaker, the lack of transportation infrastructure in the Northwest Territories is impeding our economic growth. This fact has been consistently noted in the Fraser Institute's survey of the mining industry, and was highlighted in our own Non-Renewable Resource Development Strategy and in *Common Ground*. It has also been a major concern expressed by many, if not all, of the Members of this Assembly. The Standing Committee on Governance and Economic Development noted that limited funding is impairing our ability to repair, maintain and expand our transportation system to meet current and future demands.

I am pleased, therefore, to announce major transportation initiatives this Government intends to begin in the coming year.

The Department of Transportation has been working for the past two years on a Highway Strategy initiative. The report *Investing in Roads for People and the Economy* was tabled by the Honourable Vince Steen, Minister of Transportation, in this Legislature last November. The report lists the next steps to be taken. One of these steps is to improve the existing highway system so that it can cope with the ever-increasing demands being placed on it by development.

We must make investments now.

I am announcing today that, over the next four years, this Government will be investing an additional $100 million in the existing highway system, over and above the current capital plan. We will begin with an additional $11 million in the coming fiscal year. Over the next four years, investments will be made on Highways 1, 3, 4, 5, 6, 7, and 8. At the end of the four-year period, the highway between Rae and Yellowknife will be reconstructed and paved; significant reconstruction will be completed on the Mackenzie Highway, the Dempster Highway, the Ingraham Trail, and the Liard Highway; and the highways to Fort Smith and Fort Resolution will be paved.

We will likely have to borrow a significant portion of the additional $100 million to finance these highway investments. I do not think there are many people in the Northwest Territories who would argue against investing in our highways to improve public safety and promote economic development. However, many may ask how we will pay the interest costs and repay the debt, given our limited fiscal resources.

We are proposing, therefore, the introduction of a highway user toll on commercial trucking in the Northwest Territories. We estimate that, when fully implemented, such a toll could generate up to $15 million annually. We propose that the revenues generated from the toll would go into a dedicated highway trust fund, and would be used to finance the borrowing costs.

We recognize that a highway user toll will result in higher costs for consumers. In order to reduce the negative impact of the toll on Northwest Territories consumers, we are proposing that the Cost of Living Tax Credit be increased.

We will be announcing the details of the proposed road toll and tax credit changes by May. We intend to introduce the necessary legislation to implement these measures during the June Session of this Assembly.

Winter roads are also an integral part of the northern transportation system and need additional investment to cope with increased resource activity.

The Mackenzie Valley winter road bridges acceleration program, announced last November, is funded jointly by this Government and the federal Department of Indian Affairs and Northern Development. We have allocated almost $2 million to this project in the current fiscal year, and have included an additional $700,000 in this Budget for 2001-2002. This project, which has already resulted in the completion of permanent river crossings along the Mackenzie Highway's winter road extension north of Wrigley, is an example of the types of investment needed and of the collaborative approach needed among governments - federal, territorial and Aboriginal governments and industry. We will continue to identify projects and programs where federal investment is called for.

This Budget also includes the continued operation of the winter road between Colville Lake and Fort Good Hope supporting the emerging gas development activities in the region.

Airports are a lifeline to Northern communities. This Budget proposes to invest in critical airport needs throughout the Territory. Over $11 million will be spent on airport capital improvements in 2001-2002. Some of these investments again are the result of partnerships working with the federal government particularly through the Airports Capital Assistance Program. Runway work will begin at Inuvik and Tulita and continue at Sachs Harbour. New terminal improvements will proceed at Wha Ti, Fort Simpson, Aklavik and Tulita.

Overall, this is a significant change in our investment pattern in transportation. It will provide a better system but will also create opportunities for northern contractors to build these projects and create many new jobs in the construction sector. This Budget challenges northern business and workers to invest their resources to build a better transportation system for the future.

Business Incentive Policy Review

Mr. Speaker, this Government has had a Business Incentive Policy in place since 1984. *Common Ground* recommended that the Business Incentive Policy should be completely revised. We agree. The dynamics of our economy have changed, and will continue to change for the foreseeable future. Government purchasing will play a smaller role in supporting local business as other opportunities arise in both our renewable and non-renewable resource sectors. We want to encourage the growth of northern businesses, but northern businesses must strive to compete for other opportunities. Furthermore, we want to encourage "real" northern businesses.

In January we released a discussion paper outlining options for changing the policy. The paper outlines options for a Business Incentive Policy based on employment incentives and tax reductions. One option would see the elimination of corporate income tax for small private corporations. We are asking northern business, industry and Aboriginal governments to provide their recommendations on a new northern business incentive policy. Public consultation will be completed by mid-March and we will be coming forward with recommended changes by May of this year.

Tourism Strategy

Last year's Budget highlighted tourism as a priority for this Government. *Common Ground* recommended increased investment in tourism marketing and product development. We agree.

Tourism can play a very important role in the diversification of our northern economy. Jobs in tourism will contribute to celebrating local history, preserving Aboriginal cultures and sustaining the environment.

We have consulted widely over the last year with the tourism industry. We have developed our Tourism Strategy in collaboration with Northwest Territories Arctic Tourism. The Strategy provides a focus for renewed investment in the industry. Our goals include strengthening the image of the Northwest Territories as a destination, revitalizing tourism training, supporting the creation of new tourism products in each region, supporting Aboriginal and cultural tourism, and encouraging the growth of new markets in Europe and Asia.

If the Hotel Room Tax is approved, we will invest $900,000 in new funding in the Strategy. This represents the anticipated revenues to be generated by the Hotel Room Tax in 2001-2002. In addition the Department of Resources, Wildlife and Economic Development will reallocate $375,000 in existing funding to the Strategy.

Increasing Business Investment

Common Ground identified the need for greater availability of risk capital. We agree. Northern businesses need capital in order to participate in the business opportunities afforded by resource development.

The Government of the Northwest Territories provides incentives, through the income tax system, for Northerners to invest in Northern businesses. The Risk Capital Investment Tax Credit program provides a tax credit equal to 30 per cent of eligible investments, up to a maximum credit of $30,000. The program has been in place since 1998, but its uptake has been limited. We plan to market the existing program more aggressively, but will also be examining options for revising the program, to make it a more effective vehicle for raising capital for Northwest Territories businesses.

Tax on Income

In recent years, all the provinces have moved from calculating their tax as a percentage of federal tax to basing it directly on income.

Mr. Speaker, like the provinces, we want to reduce our dependence on the federal government. I am announcing that, starting in 2003, the Northwest Territories will also base its personal income tax on income, not on Basic Federal Tax. This change will give us more flexibility to design our tax system to meet the needs of the Northwest Territories population. The Canada Customs and Revenue Agency will still collect our income tax, and Northwest Territories residents will still only need to file one tax return.

However, we recognize that Northerners will need some time to understand the new system, and we want to take the time necessary to consider the options open to us under the new system. Therefore, Mr. Speaker, I am proposing the establishment of a Minister's Advisory Committee on Personal Income Tax, composed of residents with experience in the tax area, which will look at the options and make recommendations to me by the fall of this year. Based on this input, I plan to bring forward the necessary legislation in 2002, in order to make the changes effective for 2003.

Hydro Development

One of the more exciting development opportunities highlighted this year was the Northwest Territories' vast hydro-electric generation potential. The Northwest Territories possesses large hydro resources. Parties such as the Northwest Territories Power Corporation have undertaken engineering and market research studies. However, recent events have put a much different economic light on the development of this potential. With the effects of deregulation in some provinces and states, with increased environmental restrictions on the production of electrical energy by the burning of fossil fuels, and with large industrial developments increasing electrical demand, it appears that Northwest Territories hydro resources could be delivered to an energy hungry market on an economic basis. Although much work needs to be done to confirm and realize this hydro development potential, the possible fiscal yield to Northwest Territories governments demands that we move aggressively to flesh out this opportunity. In our continuous struggle to meet the growing needs and demands of our population, the Northwest Territories' hydro resources may provide some desperately needed and environmentally responsible relief.

During the early part of 2001-2002 we will need to invest in the legal, financial and engineering work necessary to determine whether our hydro resources do indeed offer the economic benefits we need, and whether they can be developed in a manner that results in substantial returns to the Northwest Territories.

CONCLUSION

Mr. Speaker, this Budget lays out an ambitious program. It has been built with advice from Members, Aboriginal and community leaders, representatives of industry and social groups and the public. We are confident this program can be achieved.

The Northwest Territories has immense potential, but there is a lot to be done to maximize the benefits to our residents. I believe it is only a matter of time before everyone recognizes this potential, as well as the needs. It is only a matter of time before residents of the Northwest Territories are given full control over their future, control that residents of the other provinces take for granted.

However, we cannot wait for others to come to this realization. The time for action is now. To take a timid approach to development and economic growth would be a mistake. The opportunities we have today may not be there tomorrow. Together with our Aboriginal partners, with the federal government, with community leaders and with industry and business, we can achieve our vision of a prosperous and vigorous Northwest Territories.

We are investing today in a better tomorrow.

Appendix

Fiscal, Economic and Social Review

SUMMARY OF OPERATIONS
(thousands of dollars)

	2001-2002 Main Estimates	2000-2001 Revised Estimates	2000-2001 Main Estimates	1999-2000 Actuals
REVENUES	**805,591**	**792,808**	**751,330**	**708,180**
OPERATIONS EXPENSE				
Compensation and Benefits	159,644	152,104	146,104	139,069
Grants and Contributions	380,793	361,371	352,340	341,554
Other Expenses	210,687	222,310	221,355	209,676
Amortization	37,801	36,764	37,471	34,632
TOTAL OPERATIONS EXPENSE TO BE VOTED	**788,925**	**772,551**	**757,270**	**724,931**
UNADJUSTED OPERATING SURPLUS (DEFICIT)	**16,666**	**20,257**	**(5,940)**	**(16,751)**
ESTIMATED SUPPLEMENTARY REQUIREMENTS				
Regular Operating Requirements	(21,000)	(5,000)	(15,000)	-
Early Childhood Development	(2,000)	-	-	
CHST Trust Initiatives	-	-	(4,800)	-
ESTIMATED APPROPRIATION LAPSES				
Regular Operating Activities	8,000	8,000	8,000	-
Additional Forced Savings	-	-	5,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	33,113	38,175	35,473	50,146
Expenditures	(33,113)	(38,175)	(35,473)	(50,146)
OPERATING SURPLUS (DEFICIT) FOR THE YEAR	**1,666**	**23,257**	**(12,740)**	**(16,751)**
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR	**863,761**	**840,504**	**835,755**	**24,041**
ADJUSTMENT FOR NET BOOK VALUE OF ASSETS IN SERVICE ON APRIL 1, 2000	**-**	**-**	**-**	**833,214**
ACCUMULATED SURPLUS AT THE END OF THE YEAR	**865,427**	**863,761**	**823,015**	**840,504**

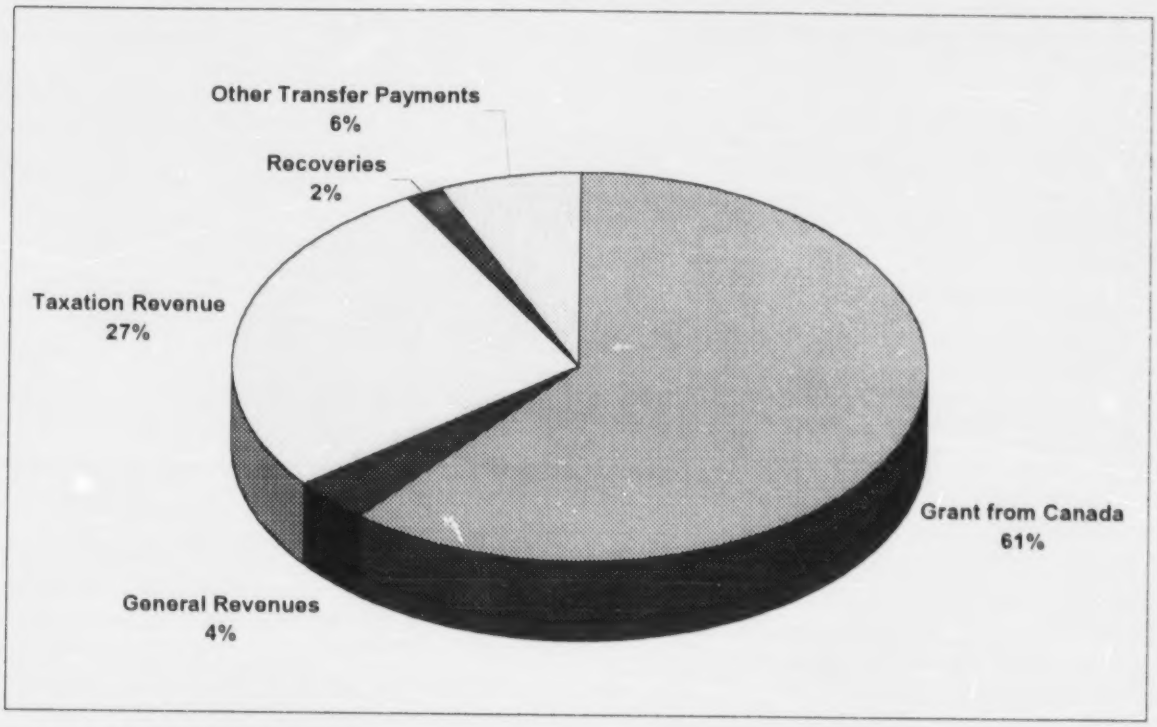
Note: The 1999-2000 Accumulated Surplus at the Beginning of the Year represents the balance of the closing surplus for 1998-1999 that is allocated to the post-division Northwest Territories.

The 1999-2000 Actuals have been restated to conform to the new accounting policy on tangible capital assets.

SUMMARY OF REVENUES
(thousands of dollars)

	2001-2002 Main Estimates	2000-2001 Revised Estimates	2000-2001 Main Estimates	1999-2000 Actuals
GRANT FROM CANADA	**489,518**	**485,516**	**513,648**	**517,259**
TRANSFER PAYMENTS	**52,076**	**59,908**	**59,518**	**50,782**
CHST RESTRICTED TRUST REVENUE	**1,066**	**3,734**	**4,800**	**-**
TAXATION REVENUE				
Personal Income Tax	54,847	58,639	54,918	51,497
Corporate Income Tax	116,112	102,203	39,306	7,629
Tobacco Tax	10,863	10,535	9,886	10,220
Fuel Tax	15,831	11,820	10,832	7,533
Payroll Tax	10,125	9,745	8,804	8,876
Property Taxes and School Levies	8,552	8,396	8,018	6,447
Insurance Tax	1,500	1,500	1,500	1,529
Hotel Room Tax	900	-	-	-
	218,730	**202,838**	**133,264**	**93,731**
GENERAL REVENUES				
Liquor Commission	15,075	14,380	14,380	15,771
Regulatory Revenues	11,876	9,679	9,926	8,775
Investment Income	3,701	2,675	2,075	2,865
Other General Revenues	4	4	4	3,313
	30,656	**26,738**	**26,385**	**30,724**
OTHER RECOVERIES				
Lease and Accommodations	1,197	1,347	1,347	2,139
Service Recoveries	1,884	1,845	1,785	1,120
Program Recoveries	6,976	6,976	6,976	6,534
Commodity Sales	141	395	126	159
Insurance Proceeds	60	60	30	487
Other Miscellaneous Recoveries	45	40	40	119
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	4,163
	13,303	**13,663**	**13,304**	**14,721**
CAPITAL - RECOVERIES AND ASSET DISPOSALS				
Land and Buildings	215	350	350	149
Infrastructure	-	61	61	77
Equipment	-	-	-	283
Grants in Kind	-	-	-	454
Other Capital Recoveries	27	-	-	-
	242	**411**	**411**	**963**
TOTAL REVENUES	**805,591**	**792,808**	**751,330**	**708,180**

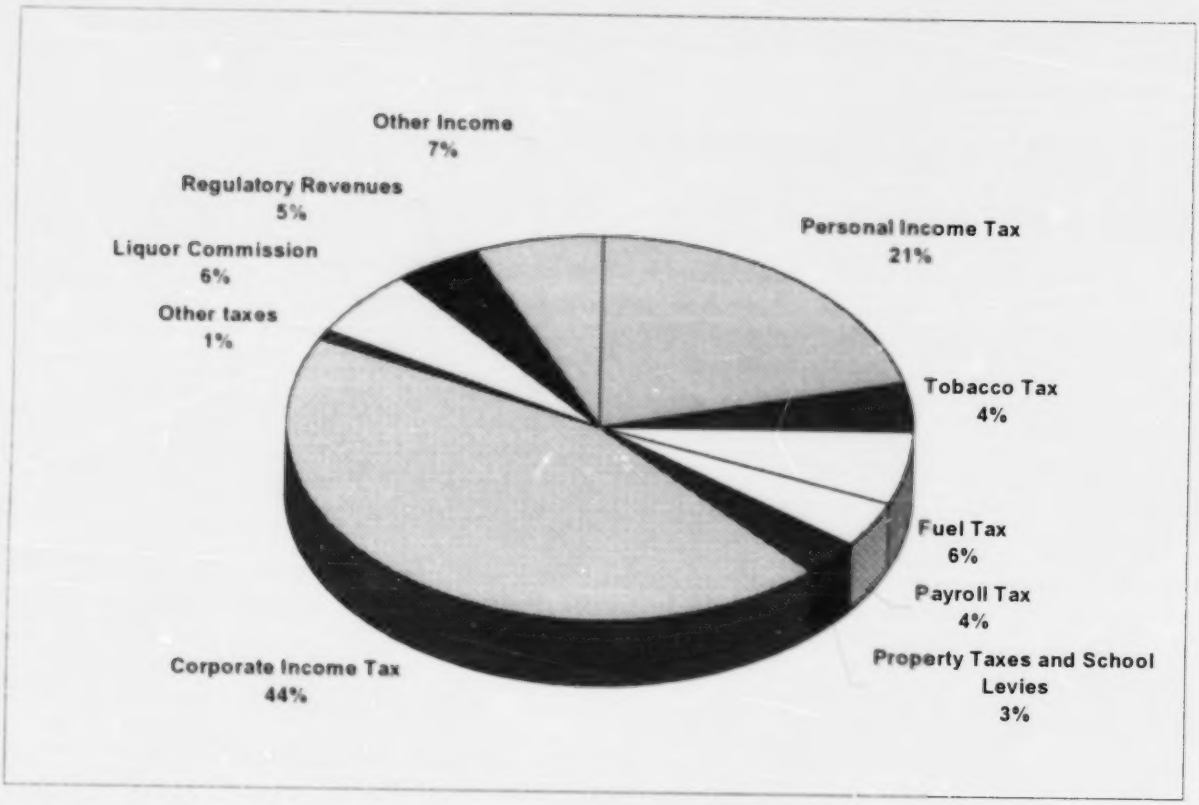
GOVERNMENT REVENUES BY SOURCE
2001-2002



Source: 2001-2002 Main Estimates

- The Government of the Northwest Territories expects $806 million in revenues for 2001-2002.
- The 2001-2002 Formula Financing Agreement Grant from Canada will be 61 per cent of the Northwest Territories total revenues. The Grant is the single largest source of revenue available to the Government of the Northwest Territories.
- The Government of the Northwest Territories will receive 67 per cent of its 2001-2002 revenues from the Government of Canada in the form of the Formula Financing Agreement Grant (61%) and other transfer payments (6%).
- Because territorial own-source revenues represent only 33 per cent of total revenues, the Government of the Northwest Territories has a limited ability to meet expenditure demands through revenue measures.

GOVERNMENT OWN-SOURCE REVENUES
2001-2002



Source: 2001-2002 Main Estimates

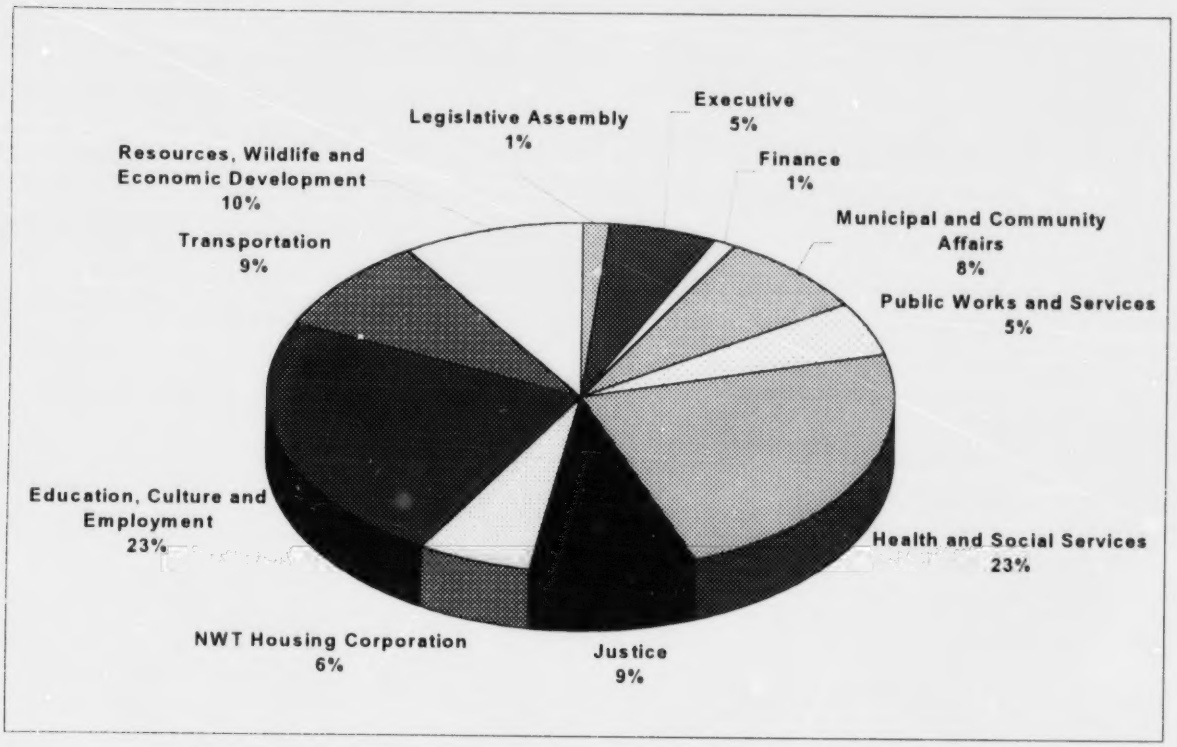
- Total own-source revenues in 2001-2002 are expected to be $263 million, of which $219 million, or 83 per cent, will come from taxation.
- Personal Income Tax revenue is expected to account for 21 per cent of own-source revenues in 2001-2002.
- Corporate Income Tax revenue is expected to be 44 per cent of 2001-2002 own-source revenues.
- Other income includes recoveries (for example: rental income, power subsidies, sales of government assets and sales of goods and services) and investment income. This income category is expected to account for 6 per cent of total revenues in 2001-2002.

SUMMARY OF OPERATIONS EXPENSE BY DEPARTMENT
(thousands of dollars)

	2001-2002 Main Estimates	2000-2001 Revised Estimates	2000-2001 Main Estimates	1999-2000 Actuals
Legislative Assembly	11,680	11,743	11,596	11,438
Executive	42,656	41,094	40,453	35,039
Finance	9,519	9,891	9,797	7,712
Municipal and Community Affairs	61,257	60,609	59,029	59,868
Public Works and Services	39,284	38,822	38,311	37,010
Health and Social Services	182,811	182,081	175,502	170,526
Justice	67,122	63,581	61,520	55,838
NWT Housing Corporation	45,556	43,624	43,371	46,870
Education, Culture and Employment	183,354	174,679	174,072	159,800
Transportation	70,140	69,628	68,496	67,024
Resources, Wildlife and Economic Development	75,546	76,799	75,123	73,806
TOTAL OPERATIONS EXPENSE	**788,925**	**772,551**	**757,270**	**724,931**

Note: The 1999-2000 Actuals have been restated to conform to the new accounting policy on tangible capital assets.

OPERATING EXPENDITURES BY DEPARTMENT
2001-2002



Source: 2001-2002 Main Estimates

- Most territorial spending is in the area of social programs: education, health and social services, justice and housing programs. These programs represent 61 per cent of the Government of the Northwest Territories' 2001-2002 budget.

- The share of Northwest Territories' spending on social programs is similar to the spending patterns of the other territories and provinces.

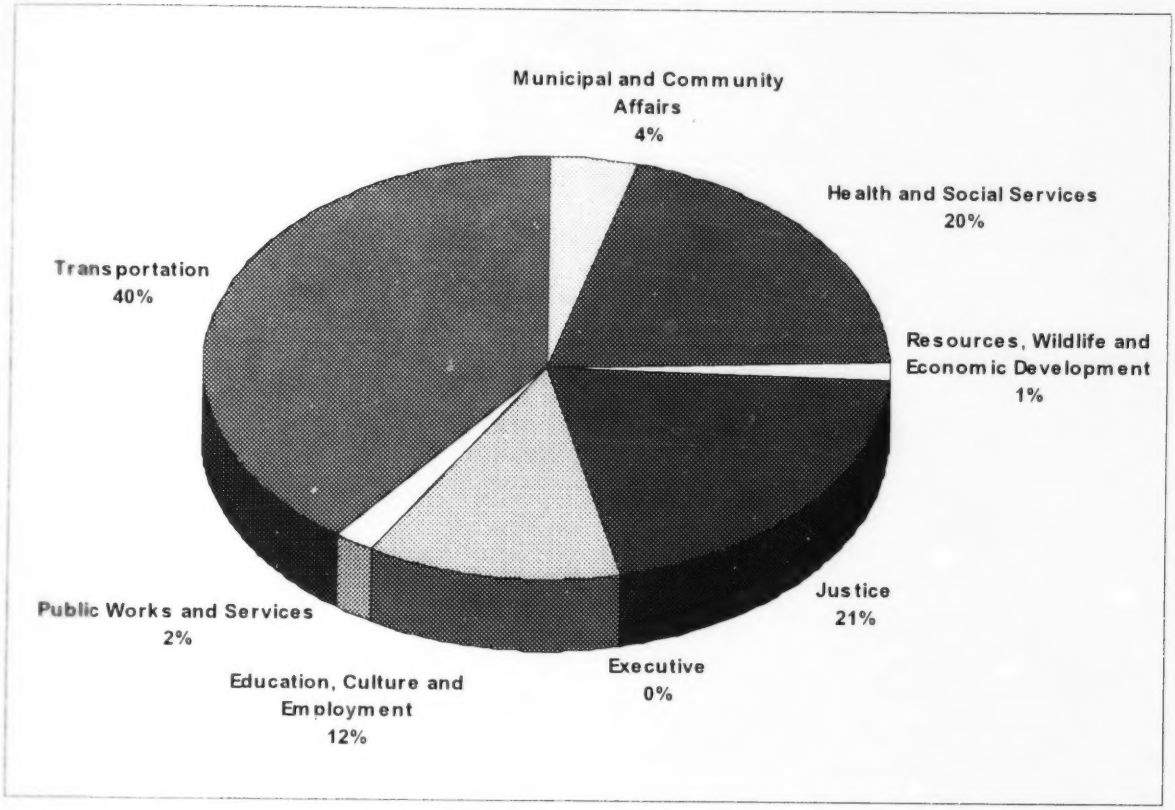
- Because a large portion of spending is targeted for social programs, demographic and social pressures in the Northwest Territories will largely determine growth in expenditure requirements in future years.

SUMMARY OF CAPITAL ACQUISITIONS BY DEPARTMENT
(thousands of dollars)

	2001-2002 Main Estimates	2000-2001 Revised Estimates	2000-2001 Main Estimates	1999-2000 Actuals
Legislative Assembly	-	210	210	130
Executive	120	920	680	3,053
Finance	-	-	-	-
Municipal and Community Affairs	4,169	6,721	4,923	2,652
Public Works and Services	1,935	5,991	5,457	2,301
Health and Social Services	19,912	8,457	8,157	3,929
Justice	20,205	2,868	2,868	734
NWT Housing Corporation	-	-	-	-
Education, Culture and Employment	11,484	11,142	11,142	18,420
Transportation	39,139	25,938	21,826	25,011
Resources, Wildlife and Economic Development	1,298	1,619	1,619	1,451
TOTAL CAPITAL ACQUISITIONS	**98,262**	**63,866**	**56,882**	**57,681**

Note: The 1999-2000 Actuals have been restated to conform to the new accounting policy on tangible capital assets.

CAPITAL INVESTMENT BY DEPARTMENT
2001-2002



Source: 2001-2002 Main Estimates

- Total capital investment by the Government of the Northwest Territories in 2001-2002 is expected to be $98 million.
- The Department of Transportation accounts for 40 per cent or $39 million of all 2001-2002 capital investment. The major portion of this investment will be $27.3 million for highways.
- The Department of Health and Social Services is expected to account for $20 million or 20 per cent of total capital investment spending, of which $13.4 million is for replacing the Inuvik Hospital.
- The Department of Justice capital investment funding is 21 per cent of the total, or $20 million in 2001-2002. The Department is responsible for the North Slave Correctional Facility project which is projected to cost $15.7 million in 2001-2002.
- The Department of Education, Culture and Employment (EC&E) provides funding to build, renovate and equip schools, colleges, museums, public libraries, as well as facilities for culture and language programs. The EC&E capital budget for 2001-2002 is $11 million or 12% of total capital investment. Most of the EC&E 2001-2002 capital investment is for renovations and additions to various schools across the Northwest Territories.

SUMMARY OF CHANGES IN CAPITAL ASSETS AND AMORTIZATION
(thousands of dollars)

	2001-2002 Main Estimates	2000-2001 Revised Estimates	2000-2001 Main Estimates	1999-2000 Actuals
BEGINNING OF THE YEAR				
Cost of Capital Assets in Service	1,399,522	1,339,837	1,333,308	1,275,466
Accumulated Depreciation	(572,799)	(535,721)	(535,023)	(500,886)
Net Book Value	826,723	804,116	798,285	774,580
CHANGES DURING THE YEAR				
Capital Assets Put into Service	55,593	59,685	61,725	65,224
Disposals	-	-	-	(747)
Amortization	(38,144)	(37,077)	(37,686)	(34,939)
NET BOOK VALUE OF CAPITAL ASSETS IN SERVICE AT THE END OF THE YEAR	**844,172**	**826,724**	**822,324**	**804,118**
Work in Progress on Multi-year Projects	75,757	32,518	23,203	29,096
TOTAL NET BOOK VALUE AND WORK IN PROGRESS	**919,929**	**859,242**	**845,527**	**833,214**

Note: Capital assets in service include assets purchased, constructed or acquired by a capital lease.

Assets put into service during the year include multi-year projects commenced in prior years and completed in the current year plus those projects started and completed in the current year.

Capital asset values shown are based on original cost, not current or replacement cost.

SUMMARY OF ACCUMULATED CASH POSITION
(thousands of dollars)

	2001-2002 Main Estimates	2000-2001 Revised Estimates	2000-2001 Main Estimates	1999-2000 Actuals
BUDGETARY REQUIREMENTS				
Operating Activities				
Total Operations Expense to be Voted	788,925	772,551	757,270	724,931
Estimated Supplementary Requirements	23,000	5,000	19,800	-
Less Non-cash Items:				
Estimated Appropriation Lapses	(8,000)	(8,000)	(13,000)	-
Provision for Doubtful Accounts	-	-	-	(799)
Amortization	(37,801)	(36,764)	(37,471)	(34,632)
Cash Required for Operating Activities	**766,124**	**732,787**	**726,599**	**689,500**
Investment in Capital Assets				
Planned Capital Acquisitions for the Year	98,262	63,866	56,882	57,681
Estimated Supplementary Requirements	9,000	2,000	9,000	-
Less Non-cash Item:				
Estimated Appropriation Lapses Due to Incomplete Capital Projects	(12,000)	(12,000)	(12,000)	-
Cash Required for Capital Asset Investments	**95,262**	**53,866**	**53,882**	**57,681**
Total Cash Required for Operating and Investing Activities	**861,386**	**786,653**	**780,481**	**747,181**
Revenues	**805,591**	**792,808**	**751,330**	**708,180**
CASH DEFICIT GENERATED BY BUDGETARY REQUIREMENTS	**(55,795)**	**6,155**	**(29,151)**	**(39,001)**
ESTIMATED CHANGES TO FINANCIAL ASSETS				
Due from Canada	(18,000)	39,000	(19,415)	35,289
Accounts Receivable	2,000	5,000	41,818	(20,019)
Inventories	-	1,000	1,100	1,000
Prepaid Expenses	-	-	1,612	3,000
Pension Liabilities	-	-	-	566
Trades Payable and Other Accrued Liabilities	6,000	(15,000)	(12,896)	(39,239)
ESTIMATED NET EFFECT ON CASH POSITION DUE TO CHANGES TO FINANCIAL ASSETS	**(10,000)**	**30,000**	**12,219**	**(19,403)**

SUMMARY OF ACCUMULATED CASH POSITION
(continued)
(thousands of dollars)

	2001-2002 Main Estimates	2000-2001 Revised Estimates	2000-2001 Main Estimates	1999-2000 Actuals
PROJECTED NON-BUDGETARY TRANSACTIONS				
Cash Outflows				
Payment of Equal Pay Settlement Offers	-	2,000	2,000	16,756
Student Loans Granted	4,590	4,500	6,566	3,806
Advances to the NWT Business Credit Corporation	5,000	4,500	4,500	4,500
Petroleum Products Revolving Fund Operations	14,446	14,143	10,516	11,856
Expenditures from Highway Trust Fund	2,000			
Principal Portion of Capital Lease Liabilities	1,674	1,571	1,571	1,427
Total Cash Outflows	**27,710**	**26,714**	**25,153**	**38,345**
Cash Inflows				
Due from Government of Nunavut	-	35,313	35,313	-
Student Loans Repaid	1,680	1,470	1,332	1,392
Principal Repayments by the NWT Business Credit Corporation	2,000	1,500	1,500	1,798
Revenue from Petroleum Products Revolving Fund Operations	14,058	13,458	9,158	10,744
Repayment of Municipal Loans	435	403	403	970
Collections for the Highway Trust Fund	10,000			
Deferred Capital Recoveries	3,053	2,884	2,800	792
Total Cash Inflows	**31,226**	**55,028**	**50,506**	**15,696**
CASH SURPLUS (DEFICIT) GENERATED BY NON-BUDGETARY TRANSACTIONS	**3,516**	**28,314**	**25,353**	**(22,649)**
TOTAL PROJECTED CASH SURPLUS (DEFICIT) FOR THE YEAR	**(62,279)**	**64,469**	**8,421**	**(81,053)**
PRIOR YEAR CASH SURPLUS (DEFICIT)	**(12,078)**	**(76,547)**	**(70,828)**	**4,506**
ACCUMULATED CASH DEFICIT	**(74,357)**	**(12,078)**	**(62,407)**	**(76,547)**

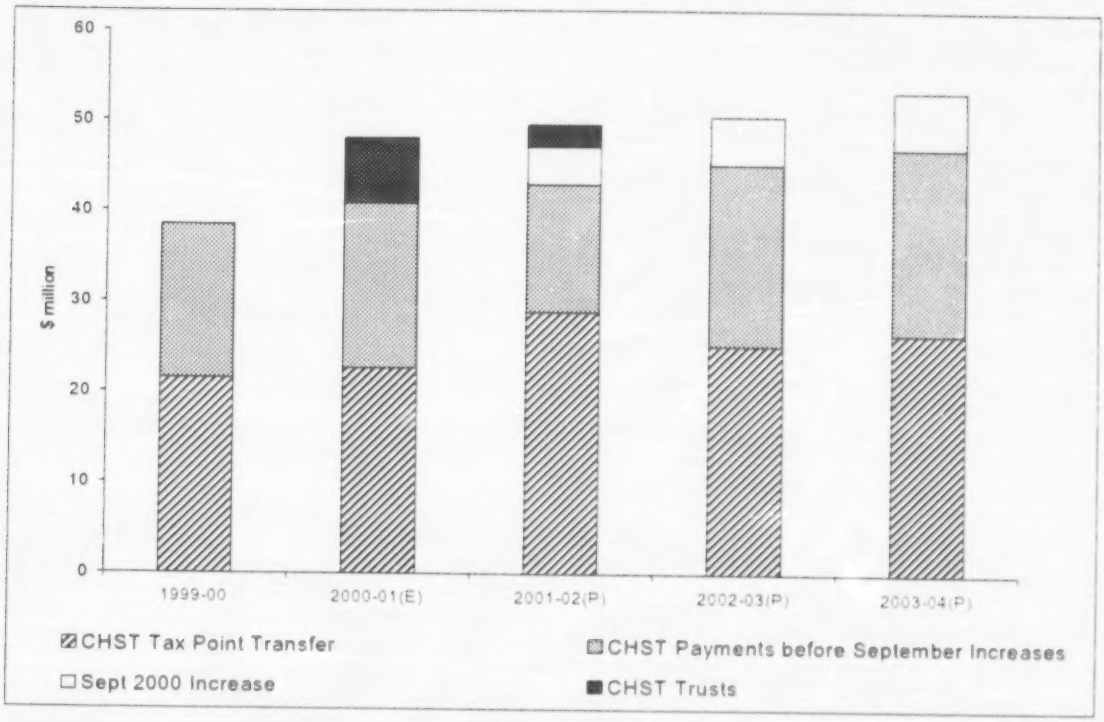
SUMMARY OF NET DEBT AND ESTIMATED BORROWING CAPACITY
(thousands of dollars)

	2001-2002 Main Estimates	2000-2001 Revised Estimates	2000-2001 Main Estimates	1999-2000 Actuals
ACCUMULATED CASH DEFICIT	**74,357**	**12,078**	**62,407**	**76,547**
GUARANTEED DEBT				
NWT Power Corporation	124,458	124,458	116,750	120,241
NWT Energy Corporation	24,000	24,169	24,166	24,396
NWT Housing Corporation	28,000	29,218	28,749	29,656
TOTAL GUARANTEED DEBT	**176,458**	**177,845**	**169,665**	**174,293**
TOTAL NET DEBT	**250,815**	**189,923**	**232,072**	**250,840**
AUTHORIZED BORROWING LIMIT	**300,000**	**300,000**	**300,000**	**300,000**
AVAILABLE BORROWING CAPACITY	**49,185**	**110,077**	**67,928**	**49,160**

Note: The Total Net Debt does not include long-term debt of $17 million (2000-2001 - $18 million) attributed to capital leases and $24 million (2000-2001 - $24 million) of loan guarantees approved for the Secondary Diamond Industry.

Any further guarantees of Northwest Territories Power Corporation Debt may require a review of the Government of the Northwest Territories overall borrowing capacity with the Government of Canada.

CANADA HEALTH AND SOCIAL TRANSFER



Source: Finance Canada, GNWT Department of Finance

(E) Estimate
(P) Projected

- The Canada Health and Social Transfer (CHST) is a block fund transfer to the provinces and territories for spending on health care, post-secondary education and social assistance programs.
- A number of trusts representing one-time payments are included in the CHST. These trusts temporarily relieve some of the pressure from the Northwest Territories growing health and education costs.
- The $1.1 million remaining from the Northwest Territories' share of the 1999 CHST Trust will be spent in 2001-2002.
- The 2001-2002 CHST cash payment is lower than previously forecast because higher than expected tax revenue raised the tax point component of the CHST. The dollar amount of the total transfer remains as previously forecast.

NORTHWEST TERRITORIES
ECONOMIC INDICATORS

INDICATOR	1999(A)	2000(E)	2001(P)
Final Domestic Demand			
(Millions of 1992 $)	2,126	2,265	2,707
(% Change)		6.5	19.5
Total Investment			
(Millions of 1992 $)	543	569	956
(% Change)		4.7	68.0
Consumer Expenditures			
(Millions of 1992 $)	829	920	957
(% Change)		11.0	4.0
Government Expenditures			
(Millions of 1992 $)	754	776	794
(% Change)		2.9	2.3
Employment	18,730	19,453	20,049
(% Change)		3.9	3.1
Avg. Weekly Earnings ($)	760	827	851
(% Change)		8.8	2.9
CPI (Yellowknife)	109.3	111.2	113.4
(% Change)	1.0	1.7	2.0

Source: Statistics Canada
GNWT Department of Finance

(E) Estimated by GNWT Department of Finance
(P) Projected by GNWT Department of Finance
(A) Actual per Statistics Canada

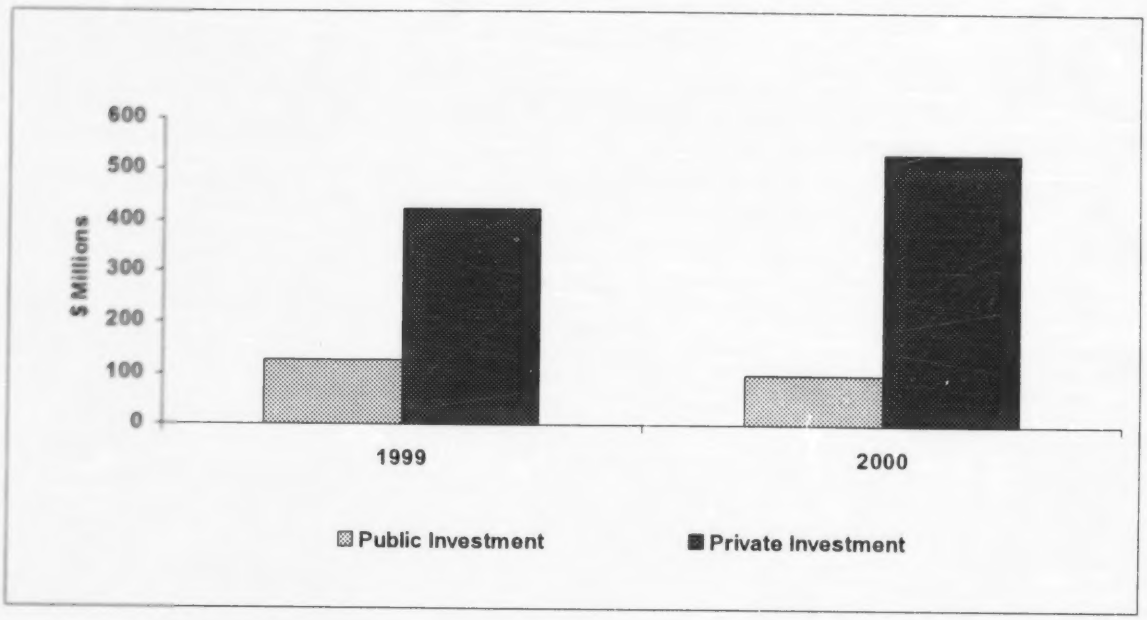
Note: Average weekly earnings are combined data for Northwest Territories and Nunavut. Average weekly earnings for the new Northwest Territories are currently not available.

- Investment spending in the Northwest Territories is projected to increase 68 percent from 2000 to 2001. Diamond mine construction spending in 2001 accounts for most of the large investment spending increase.

- The increase in consumer expenditures from 2000 to 2001 is attributable to improvements in employment and sharply rising average weekly earnings.

- Government spending is expected to increase 2.3 per cent from 2000 to 2001 as a result of a 2.5 per cent real increase in the Government of the Northwest Territories expenditures on goods and services and the 1.3 per cent estimated real rise in federal government spending on goods and services in the territory.

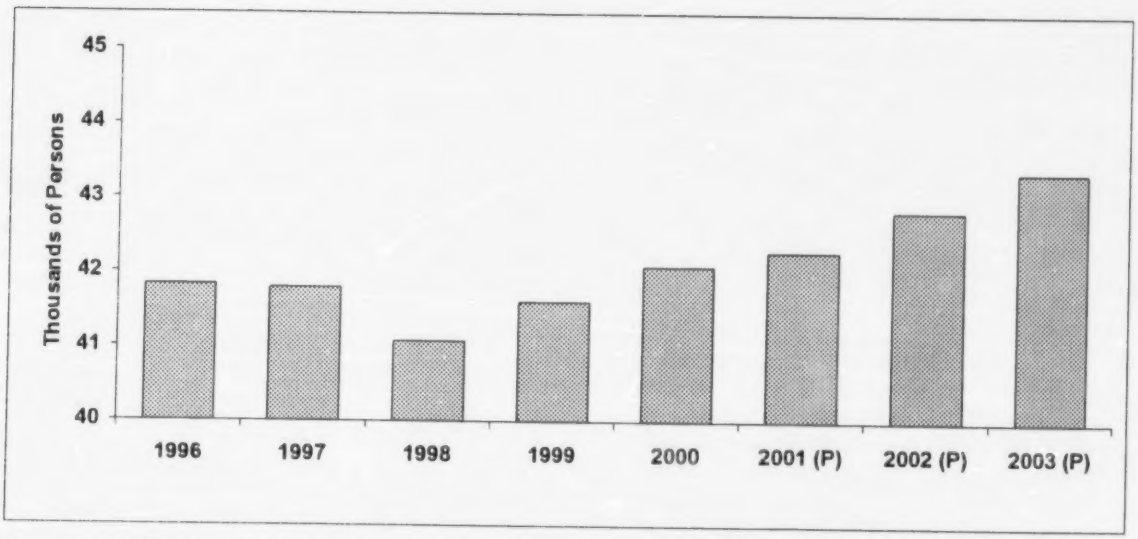
PUBLIC AND PRIVATE INVESTMENT
NORTHWEST TERRITORIES



Source: Statistics Canada
Note: 1999 figures are preliminary actual and 2000 amounts are intentions.

- Total public and private investment expenditures in the Northwest Territories are expected to increase 15 per cent to $632 million from 1999 to 2000.
- The increase is due entirely to a rise in private sector investment of 26 per cent. Public sector expenditures are expected to fall by 24 per cent.
- $68 million of the increase in private investment expenditures is attributable to investment activity in the diamond-mining sector.

POPULATION - NORTHWEST TERRITORIES

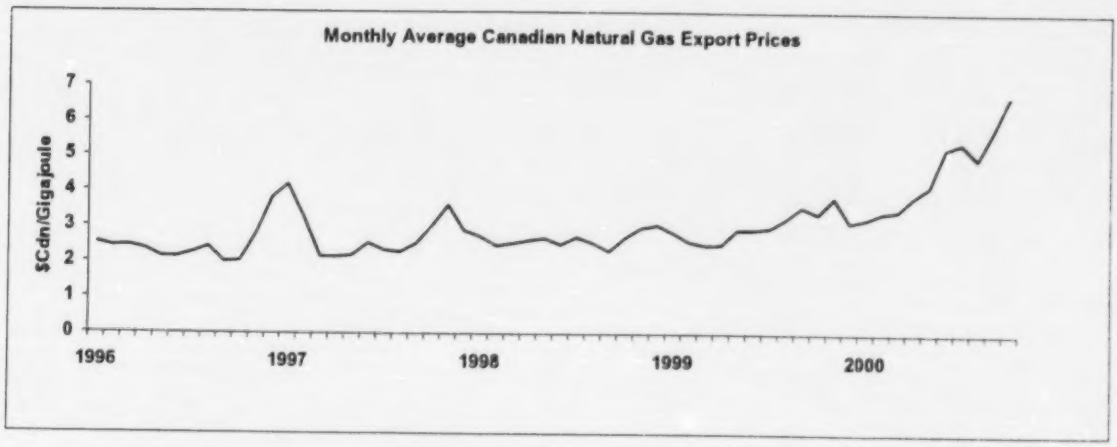


Source: GNWT Bureau of Statistics

(P) Projected

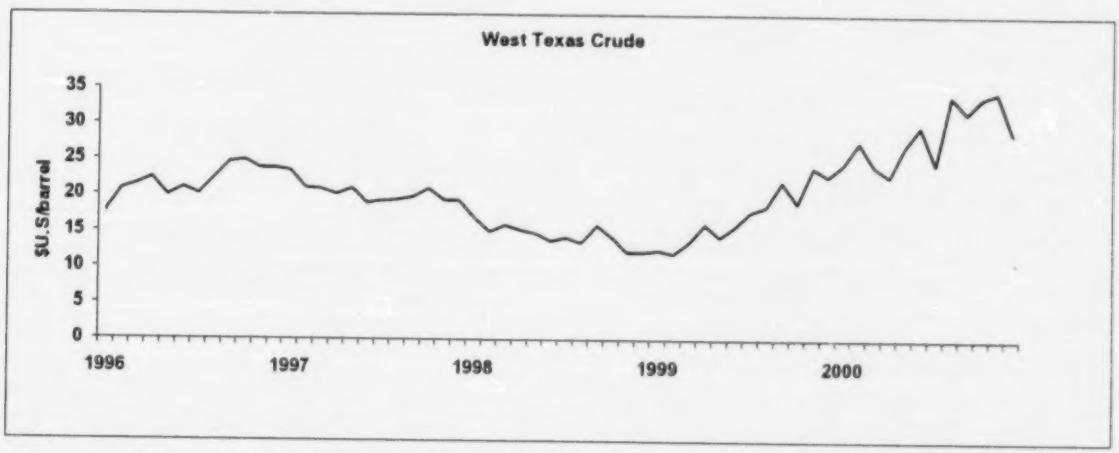
- Total population in the Northwest Territories decreased by 754, or close to 2 per cent, between 1996 and 1998. This was the result of a net out-migration of more than 2,200 people, which was partly offset by natural increases (births less deaths) in the population.
- The decline in population was due to the downturn in the economy and uncertainty leading up to division of the territories in 1999.
- Early estimates of population for 1999 and 2000 indicate some recovery and the population is expected to increase by about 1 per cent per year over the next three years. The positive economic outlook is expected to support net immigration to the territory from other jurisdictions.

OIL AND NATURAL GAS PRICES



Sources: National Energy Board, Conference Board of Canada, Oilweek and GNWT Bureau of Statistics.

- Natural gas prices are expected to remain high over the next 4 to 16 months until the recent hectic pace of natural gas drilling activity increases North American supplies.

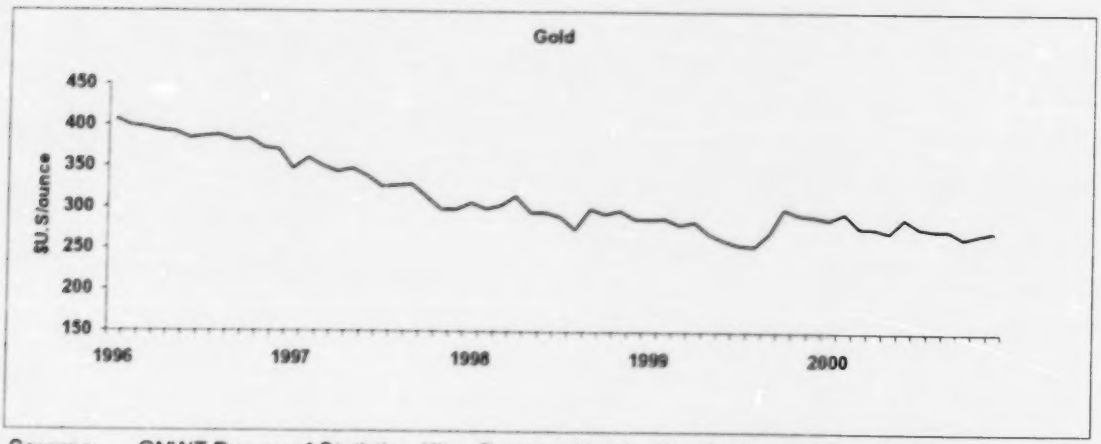


Sources: National Energy Board, Conference Board of Canada, Oilweek and GNWT Bureau of Statistics.

- The price of oil rose dramatically in 1999 in response to firm world demand and reductions in OPEC supply. Continuing strong world demand increased crude prices by a further 65 percent in 2000.

- Increasing upstream capital spending and higher output from Iraq is expected to moderate oil prices to about U.S. $26.67 per barrel by the second quarter of 2001 and to U.S. $24.00 - $25.50 per barrel in the last six months of 2001.

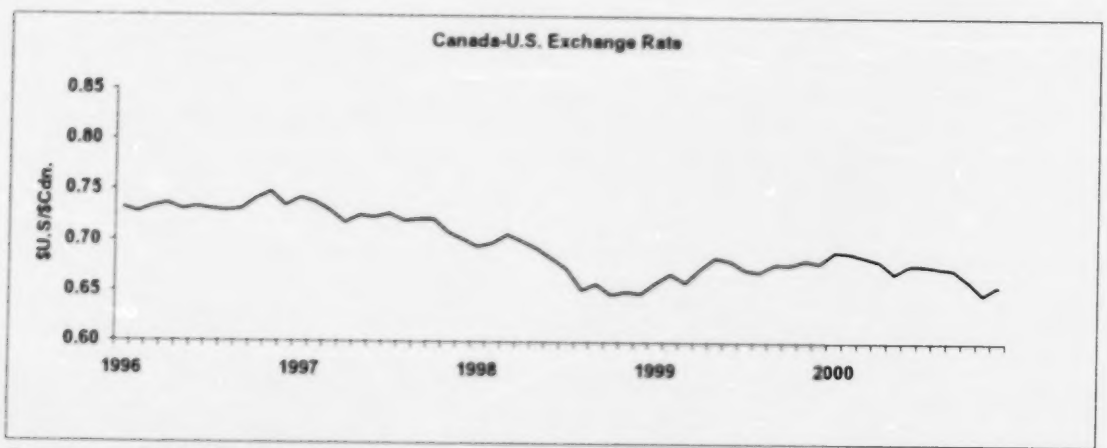
GOLD PRICES AND THE EXCHANGE RATE



Sources: GNWT Bureau of Statistics, Kitco Precious Metals, The Conference Board of Canada, and TD Economics.

- Gold prices rebounded to $294 per ounce after producers curtailed hedging programs in the fourth quarter of 1999. Prices throughout 2000 have drifted downwards.

- The prospect for gold prices in the future will be adversely impacted by the threat of central bank sales, the availability of gold from central bank lending, and the strength of the U.S. dollar – which makes gold expensive for non-US buyers.

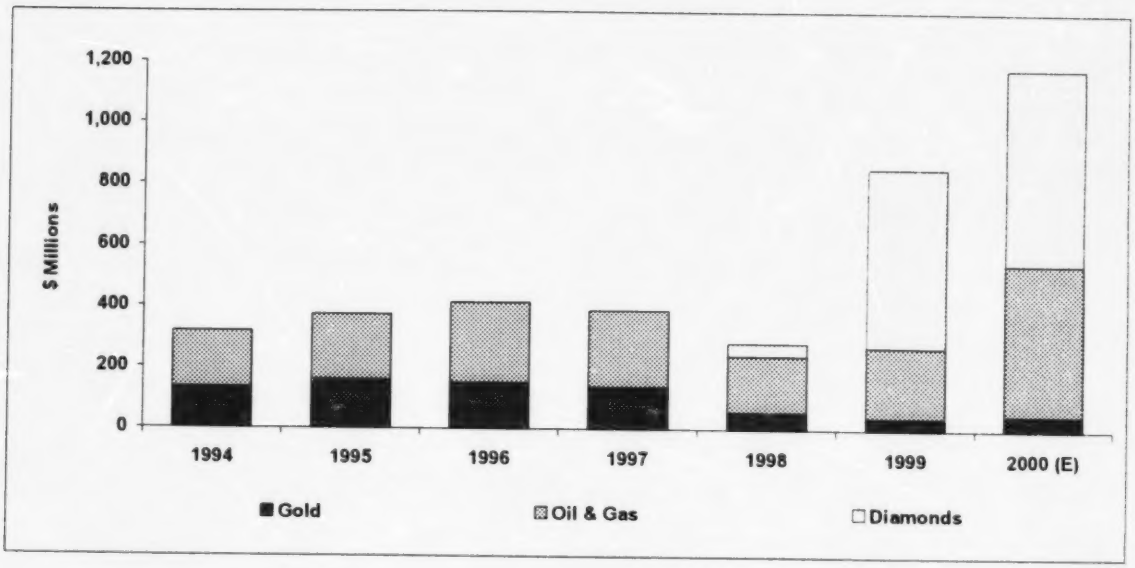


Sources: GNWT Bureau of Statistics, Kitco Precious Metals, The Conference Board of Canada, and TD Economics.

- Despite the superior performance of Canada's current account, the Canadian dollar weakened in 2000 due to higher short interest rates in the U.S.

- The Canadian dollar should strengthen to 69 cents U.S. in 2001 as a result of a reduction in the differential between Canadian and U.S. interest rates and an expected improvement in non-energy commodity prices.

VALUE OF GOLD, DIAMONDS, OIL & GAS PRODUCTION NORTHWEST TERRITORIES



(E) Expected

Source: Dia Met Minerals, Miramar Mining Corporation, Natural Resources Canada, GNWT Bureau of Statistics, Echo Bay 1998 Annual Report, GNWT Finance, National Energy Board

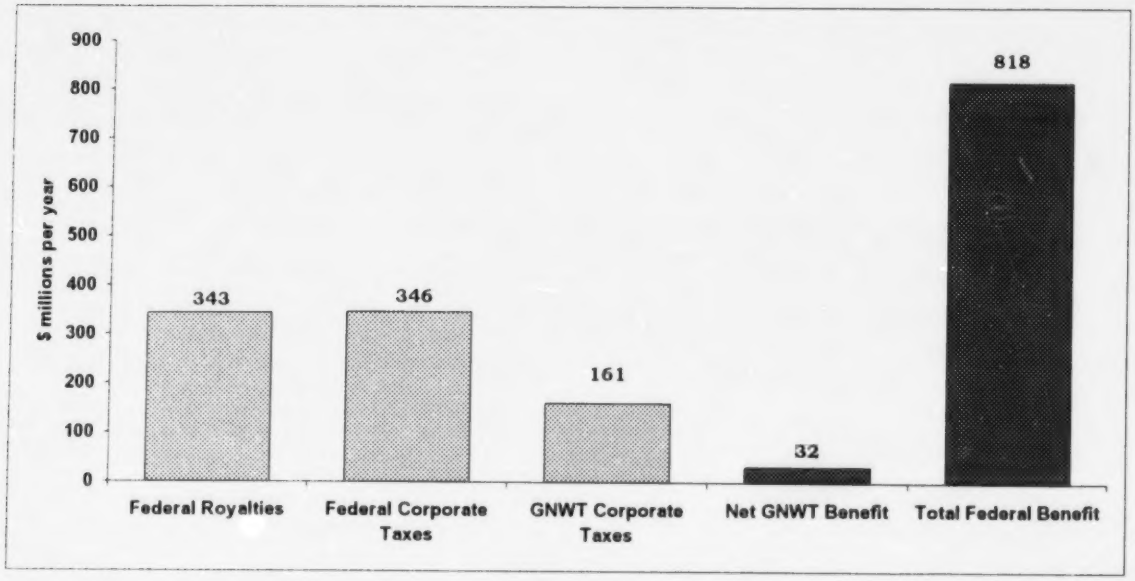
Notes: Data excludes Nunavut for all years.

- The value of mineral production in the Northwest Territories rose sharply in 1999, surpassing $800 million. Diamond mining was behind most of the increase, as the value of diamond production reached $581 million during the first full year of production at the Ekati Mine. Future diamond production can be expected to increase as a result of higher production at the Ekati Mine, and new diamond mines at Lac de Gras and Snap Lake beginning production in two to three years.

- The mineral production value in 2000 rose substantially due to additional gas production near Fort Liard and rising oil and gas prices. Diamond production value also increased, by slightly less than 10 per cent in 2000.

- The Giant and Con mines in Yellowknife produced approximately 122,000 ounces of gold in 2000, about the same as total Northwest Territories 1998 production. Gold production is expected to be about 125,000 ounces per year from 2001 to 2003.

ANNUAL FISCAL IMPACT OF RESOURCE DEVELOPMENTS IN THE NORTHWEST TERRITORIES



Source: GNWT Finance, GNWT Resources, Wildlife, and Economic Development.

- The Government of the Northwest Territories estimates that resource development, its spin-off effects, and the reduction in the Formula Financing Grant will generate, on average, $818 million per year over the next 27 years for the Government of Canada. This includes $346 million in direct Corporate Income Tax and $343 million in royalties.

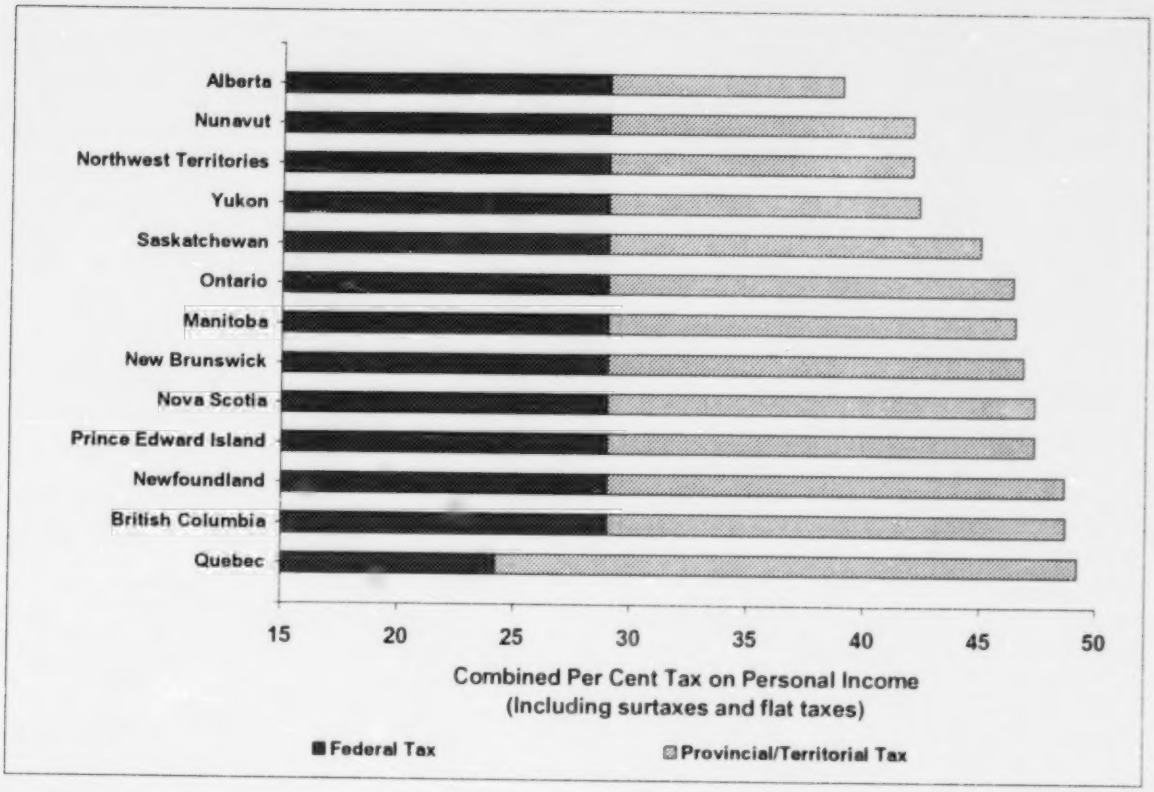
- The Government of the Northwest Territories will receive, on average, a net benefit of $32 million per year from the same resource development after the reduction in the Formula Financing Grant is considered.

- The chart shows the estimated distribution of royalties and corporate taxes from the development of three diamond mines, natural gas in Fort Liard and the Mackenzie Delta, and oil in Norman Wells. Personal income, property, payroll and fuel taxes are not included.

- Resource development in the Northwest Territories generates direct revenue for the Government of the Northwest Territories through corporate and personal income taxes, as well as payroll, property, and fuel taxes. A significant portion of the revenue generated through these sources is offset by reductions in the Formula Financing Grant.

- The Government of Canada receives revenues from corporate and personal income tax, and royalties. The federal government receives additional net benefit from the reduction in its transfer payment to the Government of the Northwest Territories under the Formula Financing Agreement whenever the Government of the Northwest Territories own-source revenues increase.

PERSONAL INCOME TAX
COMBINED FEDERAL-PROVINCIAL/TERRITORIAL
TOP MARGINAL TAX RATES
2001

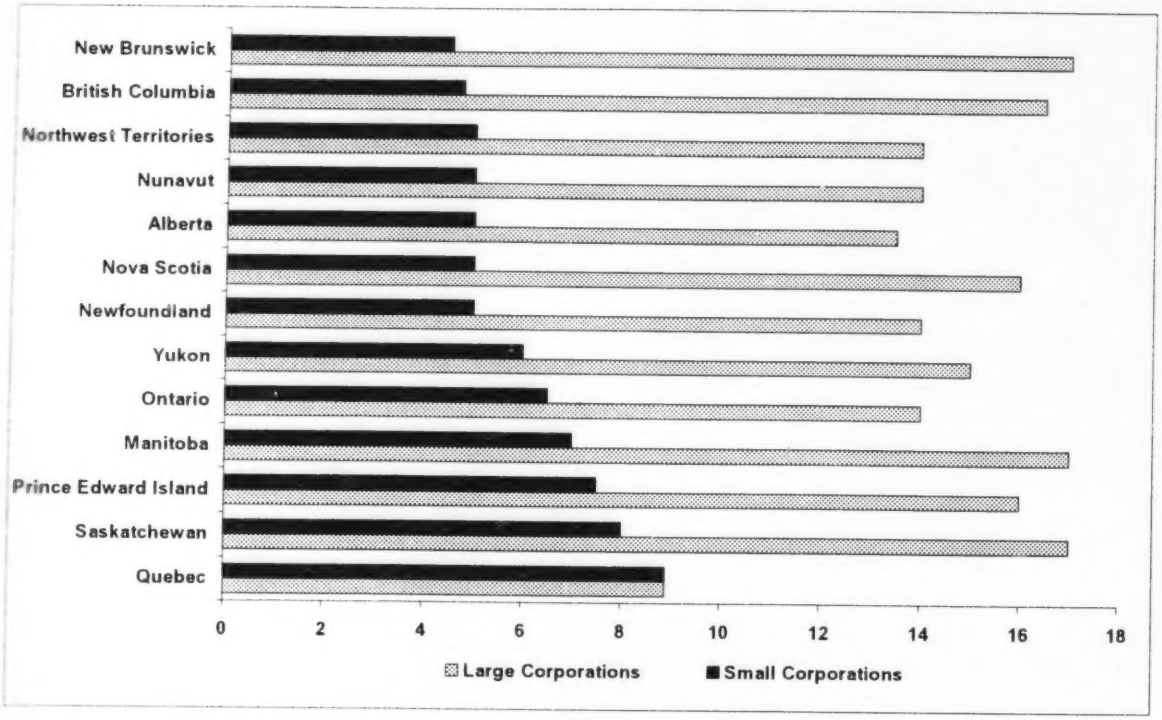


Source: CCH

- The Northwest Territories' personal income tax rate is among the lowest in Canada. Alberta has lower personal income rates than the Northwest Territories for the high-income brackets.

- Despite lower territorial tax rates, Northwest Territories residents pay a similar percentage of their income in total income taxes as other Canadians. Higher incomes are required in the North in order to compensate for the higher cost of living. These higher incomes, combined with the progressive income tax structure, mean taxpayers pay a higher amount and a higher percentage of income in federal income tax than individuals with equivalent earning power in southern Canada.

CORPORATE INCOME TAX RATES, 2001



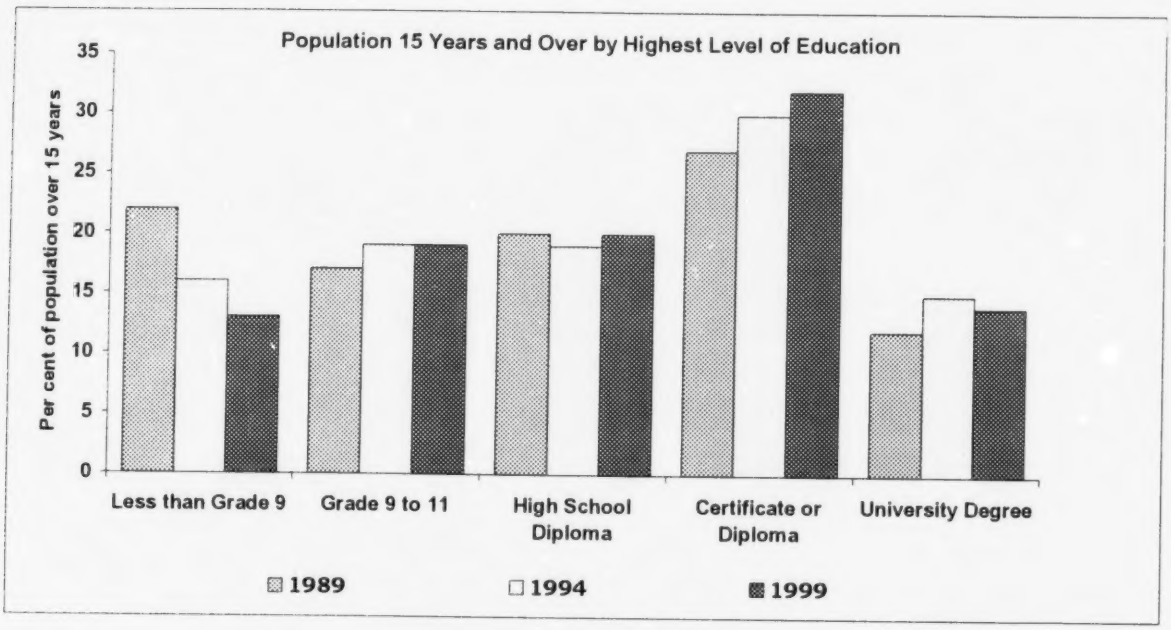
- The Northwest Territories' corporate income tax rate is the third lowest in Canada.
- Quebec's general corporate income tax rate applies to active business income. A rate of 16.66 per cent applies to all passive income.
- The Northwest Territories has no capital tax.
- Corporate income tax rates are set to decline throughout Canada. For example, Ontario has made a commitment to reduce its general corporate rate to 8 per cent by 2005. Alberta has also announced it will reduce its general corporate rate to 8 per cent by 2004-2005. In addition, the federal government has committed to reducing its corporate rate from 28 per cent to 21 per cent by 2004 for some sectors, but not for mining or oil and gas companies.

PROVINCIAL & TERRITORIAL TAX RATES
2001

	Combined Top Marginal PIT[a] (%)	Retail Sales Tax (%)	Fuel Tax [d]		Tobacco Tax [e]	Payroll Tax [f] (%)	Corporate Income Tax		Capital Tax [g] (%)
			Gasoline (¢/litre)	Diesel (¢/litre)	Cigarette ($/carton)		Small (%)	Large (%)	
Northwest Territories	42.05	-	10.7	9.1	27.20	1.00	5.00	14.0	-
Nunavut	42.05	-	6.4	9.1	25.20	1.00	5.00	14.0	-
Yukon	42.34	-	6.2	7.2	16.40	-	6.00	15.0	-
British Columbia	48.70	7.0	11.0	11.5	22.00	-	4.75	16.5	0.3/3.0
Alberta	39.00	-	9.0	9.0	14.00	-	5.00	13.5	0/1.0
Saskatchewan	45.00	6.0	15.0	15.0	17.20	-	8.00	17.0	0.6/3.25
Manitoba	46.50	7.0	11.5	10.9	17.20	2.15	7.00	17.0	0.5/3.0
Ontario	46.41	8.0	14.7	14.3	5.30	1.95	6.50	14.0	0.3/0.90
Quebec	49.22	7.5	15.2	16.2	8.60	4.26	8.90	8.9	0.64/1.28
New Brunswick	46.84	8.0	10.7	13.7	8.30	-	4.50	17.0	0.3/3.0
Nova Scotia	47.34	8.0	13.5	15.4	9.66	-	5.00	16.0	0.25/3.0
Prince Edward Island	47.34	10.0	13.0	13.5	13.26	-	7.50	16.0	0/3.0
Newfoundland	48.64	8.0	16.5	16.5	22.00	2.00	5.00	14.0	0/4.0
Average [b]	46.69 [c]	6.9	13.5	13.8	10.58	1.88	6.64	13.4	

(a) Personal income tax rates in effect for the 2001 tax year.
(b) Average of all provincial and territorial rates, weighted by population.
(c) 46.69% is the weighted average of the combined federal-provincial/territorial top marginal tax rate.
(d) Quebec, New Brunswick, Nova Scotia and Newfoundland apply sales tax to fuel.
(e) Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, and Newfoundland apply sales tax to tobacco products.
(f) The NWT and Nunavut Payroll Taxes are levied on employees. For other provinces, who levy payroll tax, there are exemptions for small business and/or the rates vary depending on the payroll.
(g) Rates shown for capital tax are for large corporations and for financial institutions in the order shown. The bases are different for different types of companies.

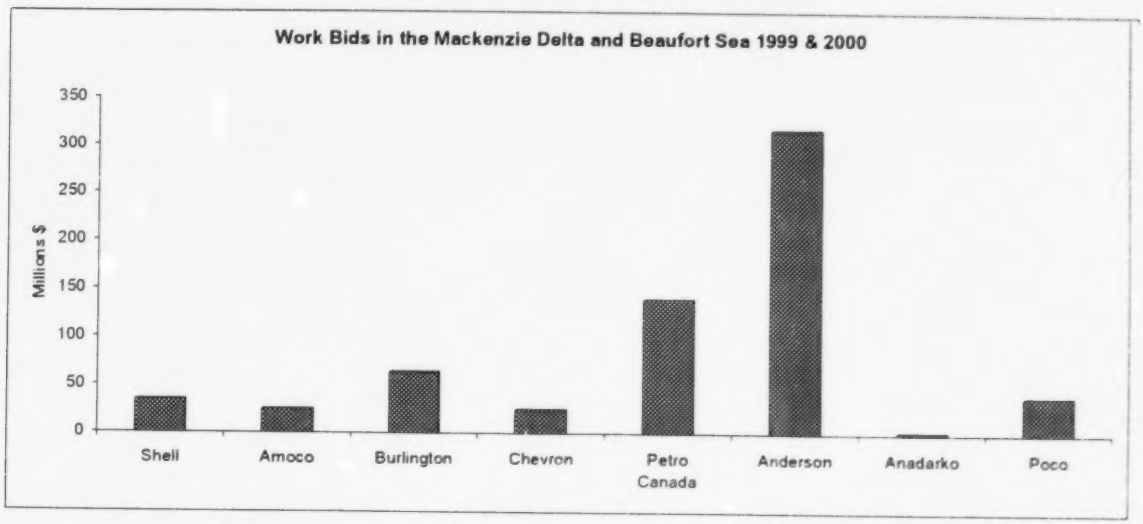
NORTHWEST TERRITORIES
POPULATION AND EDUCATION



Sources: 1989, 1994 & 1999 NWT Labour Force Survey
GNWT Bureau of Statistics

- The proportion of the population 15 years and older whose highest level of education is less than Grade 9 has fallen sharply since 1989.
- In 1999, approximately one-third of the total population held a certificate or diploma. This category includes trades or other certificates, college diplomas or certificates and other certificates or diplomas. Over the past ten years, this figure has improved substantially, especially among high school graduates.
- In 1989, about 46 per cent of the aboriginal population over the age of fifteen had less than a Grade 9 education. Over the past ten years, this figure has dropped to 26 per cent. Throughout 1989-1999, overall aboriginal education attainment levels have improved in every listed category.

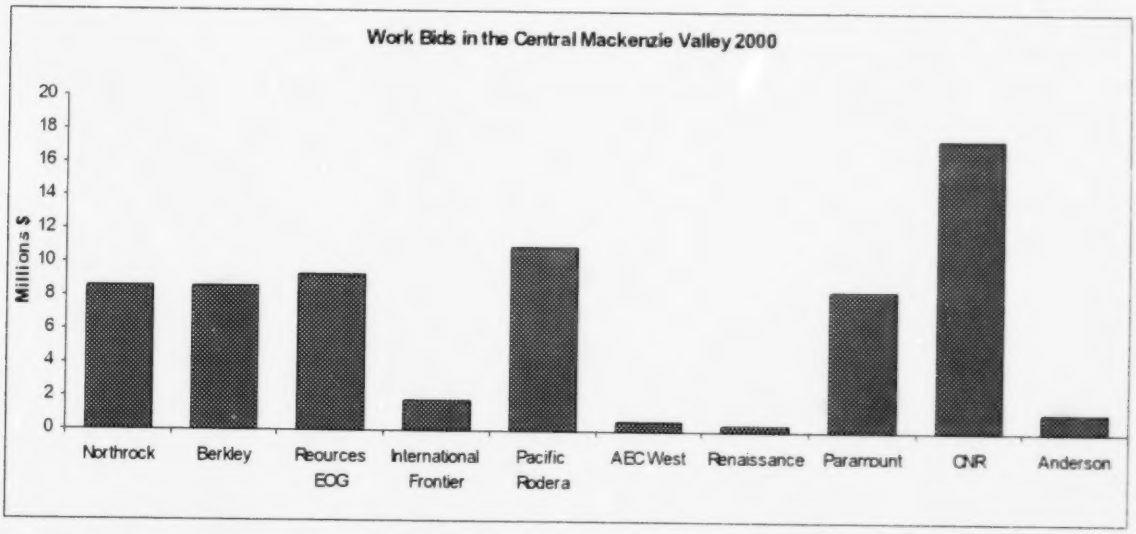
OIL AND GAS WORK COMMITMENTS IN THE NORTHWEST TERRITORIES



Source: Indian and Northern Affairs Canada

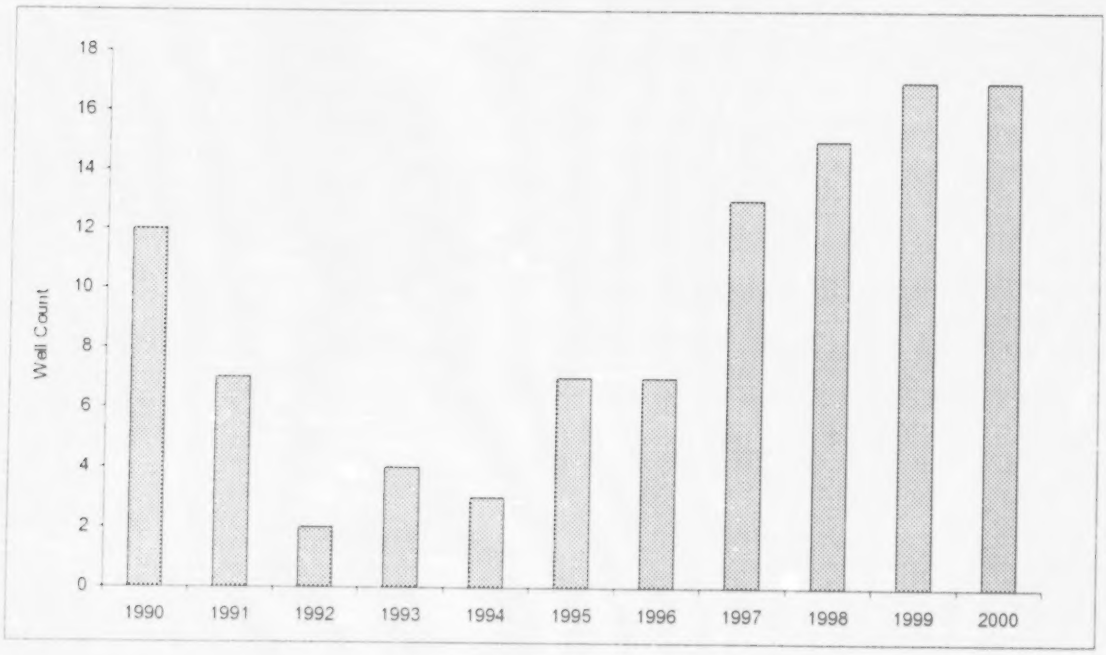
- The work expenditure bids in the Mackenzie Delta and Beaufort Sea total approximately $650 million. The total excludes the work bids for the Central Mackenzie Valley totalling $67.4 million and the $75.5 million bid bonus paid by Chevron Canada, Petro Canada, and Anderson Resources. The $75.5 million bid bonus was paid to the Inuvialuit Regional Corporation for exploration and drilling rights in the Inuvialuit settlement area.

- The expenditures must be spent within a five year period in order to earn extended land tenure of an additional 4 years.



Source: Indian and Northern Affairs Canada

OIL AND GAS WELLS DRILLED IN THE NWT



Source: National Energy Board

- During the 1990-2000 period a large majority of the wells were drilled in Deh Cho and Sahtu which includes Fort Liard, Norman Wells, and the Mackenzie Valley. Only seven wells were drilled in the Mackenzie Delta in the 1990-2000 period.

- Future drilling activity should be robust as a result of the $792 million worth of work commitments made by several oil and gas companies in 1999 and 2000. The funds should be spent over the next five years.

TAX ON INCOME

BACKGROUND

- Under the current Northwest Territories personal income tax system, territorial tax is charged as a percentage of federal tax. As a result, territorial revenues change with federal tax rate changes.
- Before 2000, the provincial/territorial personal income tax was calculated as a percentage of basic federal tax for all the provinces and territories except Quebec. Since January 1, 2000, the provinces and territories have been able to set personal income tax rates based on taxable income. Under this new system, participating provinces and territories are able to set their own tax brackets and tax rates.
- All provinces except Quebec have announced implementation of the new system by the 2001 tax year. British Columbia, Manitoba, New Brunswick, Nova Scotia and Ontario have introduced tax on income (TONI) for the 2000 tax year. Alberta, Saskatchewan, Prince Edward Island and Newfoundland have announced implementation of TONI for the 2001 tax year. The Northwest Territories has announced its intention to move to TONI in 2003. Neither Nunavut nor Yukon has announced any change yet.
- Under TONI, the provincial or territorial tax system would parallel the federal calculation, using taxable income rather than the amount of federal tax payable as the starting point.

MOVING TO TAX ON INCOME

- The Canada Customs and Revenue Agency (CCRA) collects personal income taxes (except Quebec) and corporate income taxes (except Ontario, Alberta and Quebec) for provinces and territories under the terms of Tax Collection Agreements signed between Canada and the provinces and territories.
- The CCRA has recently announced that it will impose no cost for administration of provincial/territorial TONI if provinces/territories mirror the federal tax system. However, there will be an incremental cost for provinces/territories where they diverge from the federal tax structure.
- Moving to TONI would provide the Government of the Northwest Territories with greater control over its own tax regime and will enhance its ability to have a stable and predictable revenue base. The Territories would be able to tailor its tax system to its own fiscal, economic and social conditions.
- Moving to a "tax on taxable income" system will not change the method of filing income tax returns. Taxpayers will continue to file a single tax return. The federal government will continue to collect personal income taxes on behalf of the Government of the Northwest Territories through the CCRA.
- Taxpayers will have a better understanding of how much income tax they pay to each level of government.

COMPARISON OF TAX CALCULATIONS

Under the current method, basic territorial tax is calculated by applying the territorial statutory rate to the calculated basic federal tax. This method of calculation ties territorial personal income taxes to the federal income brackets, marginal rates and the federal non-refundable credits. The following table displays how net territorial tax is calculated under the tax-on-tax system.

Federal and Territorial Tax Calculations
Tax-on-Tax System

	Federal		Territorial
	Taxable Income		
x	Federal Tax Rates		
=	Gross Federal Tax		
-	(Federal non-refundable credits x Federal rate)		
	= Basic Federal Tax		**= Basic Federal Tax**
		x	NWT Tax Rate (45%)
			= Basic NWT Tax
+/-	Other Federal amounts (surtaxes or tax credits)	+/-	Other Territorial (NWT) amounts (tax credits etc.)
	= Net Federal Tax		**= Net NWT Tax**

Under TONI, Taxable Income becomes the starting point for calculating provincial/territorial income taxes. The following table displays how net territorial tax will be calculated under the TONI system.

Federal and Territorial Tax Calculations
TONI System

	Federal		Territorial
	Taxable Income		
x	Federal Tax Rates	x	NWT Tax Rates
=	Gross Federal Tax	=	Gross Territorial Tax
-	(Federal non-refundable credits x Federal rate)	-	(Territorial non-refundable credits x NWT rate)
	= Basic Federal Tax		**= Basic NWT Tax**
+/-	Other Federal amounts (surtaxes or tax credits)	+/-	(Other Territonal (NWT) amounts (tax credits etc.)
	= Net Federal Tax		**= Net NWT Tax**